



U. S. A.

MEXICO

Tampico
Mexico

GULF OF MEXICO

Habana

CUBA

JAMAICA

BRIT. HONDURAS

PO. KINGSTON

CARIB

Belize

Tequigalpa

NICARAGUA

COSTA RICA

GUATEMALA

Guatemala

SALVADOR

San Salvador

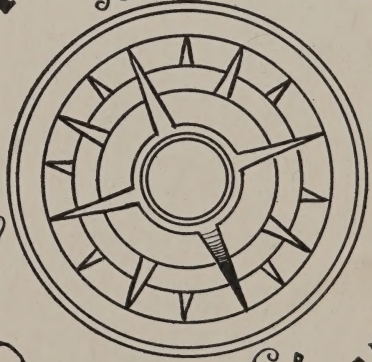
Managua

San Jose

PANAMA

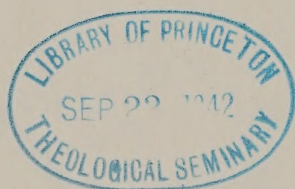
Panama

AMERICAS



TO THE SOUTH

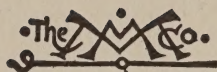




F1408

W57

AMERICAS TO THE SOUTH

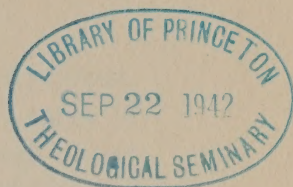


THE MACMILLAN COMPANY
NEW YORK • BOSTON • CHICAGO • DALLAS
ATLANTA • SAN FRANCISCO

MACMILLAN AND CO., LIMITED
LONDON • BOMBAY • CALCUTTA • MADRAS
MELBOURNE

THE MACMILLAN COMPANY
OF CANADA, LIMITED
TORONTO

Americas to the South



BY JOHN T. WHITAKER

The Macmillan Company • New York • 1941—

Copyright, 1939, by
THE MACMILLAN COMPANY.

All rights reserved—no part of this book
may be reproduced in any form without
permission in writing from the publisher,
except by a reviewer who wishes to quote brief
passages in connection with a review written
for inclusion in magazine or newspaper.

*Set up and printed. Published August, 1939;
Reprinted November, 1939; February, 1940;
August, 1940; October, 1940; May, 1941,
July, 1941.*

November, 1941

PRINTED IN THE UNITED STATES OF AMERICA

The Foreign Service of the *Chicago Daily News*, founded by Victor F. Lawson, was the first corps of American-trained correspondents sent abroad by an American newspaper. Under the direction of Colonel Frank Knox, a newspaperman's publisher, the tradition of excellence maintained for nearly half a century by this corps has been brought to full fruition.

This book is dedicated to Colonel Knox and to such fellow correspondents of the *Chicago Daily News* as I have known in my own time—Paul Scott Mowrer, Hal O'Flaherty, Carroll Binder, Edgar Ansel Mowrer, John Gunther, William H. Stoneman, Negley Farson, Wallace R. Deuel, A. T. Steele, Reginald Sweetland, Marcel Fodor, Frank Smothers, Richard Mowrer, Raymond Gram Swing, and Junius B. Wood.

These names connote quality in journalism and they are responsible, more than any others, for the recognition in England, France, and elsewhere that American foreign correspondence is the best in the world today.

FOREWORD

THIS book is designed for the average responsible United States citizen who tries to learn what he ought to know about South America—a very limited public. If it has any merit, the merit will lie in the fact that it is a simple, not a pretentious, book. Few North Americans pretend to know much about South America—even upon which coasts the several countries lie or what manner of governments they have. Most North Americans had neither expert knowledge of nor special interest in our southern neighbors until Hitler made both necessary. I hope I am aware of what the reader wants to know about these countries: what sort of people inhabit them; how they live, and what problems and aspirations animate them; whether their form of government is democratic or not; what—if anything—the Germans, Italians, and Japanese are doing there; and finally what all these things mean to the peace and happiness of the people of the United States. These are the things I wanted to know.

AMERICAS TO THE SOUTH

THE Pan-American Conference which met at Lima, Peru, in November and December of 1938 brought together the twenty-one independent states of the New World. Of these twenty-one American republics the United States alone is English-speaking. Of the rest all but two are Spanish-speaking—the heirs of the *conquistadores* who carved out a vast empire for Spain. The islanders of little Haiti speak French; Brazil, larger in area and population than all the rest of South America, still speaks the tongue of its motherland, Portuguese.

The three ABC, or key, countries of South America are Argentina, Brazil, and Chile—in that order alphabetically and also from the point of view of their influence. Argentina, composing the southernmost tail of the continent, lies between Brazil, which accounts for most of South America's Atlantic coastline, and Chile, which stretches like a tape along the Pacific coast from the Strait of Magellan to Peru. In the southern portion of the continent three small states lie along the frontiers of the ABC powers. They are Uruguay, Paraguay, and Bolivia. Despite the intrigues of Brazil and Chile, these three small states live under the blanket of

Argentine imperialism and increasingly accommodate themselves to Buenos Aires, Argentina's capital, which is the third city in America after New York and Chicago.

Building upward from these six states in the southern half of the continent, there is, first of all, Peru, once the governing colony of all Spanish America. Peru stretches northward along the Pacific to Ecuador, which with Colombia and Venezuela forms the northern half of South America—which is linked through the narrow Isthmus of Panama to Central America. The countries northward from Panama are Costa Rica, Nicaragua, Honduras, El Salvador, Guatemala, and Mexico. Flanking them in the Caribbean are the island states of Cuba, Haiti, and the Dominican Republic. Just as Argentina dominates the southernmost regions so the United States commands the Caribbean Sea, which bathes the little republics of Central America and also Panama, Colombia, and Venezuela. Even if those countries were not friendly—and they are—their governments could not turn against the Colossus of the North, which, with its bases in Cuga, Puerto Rico, and St. Thomas, controls the sea lanes that would give them access to the outer world.

Our influence during the Lima conference stretched, therefore, like the cruising radius of our fleet, southward to Brazil on the Atlantic and to Peru on the Pacific. Mr. Cordell Hull, as the head of the American delegation at Lima, had the cordial cooperation during the conference of near neighbors like Mexico, Cuba,

and Colombia, against whom we have most sinned in the past, and no bitter opposition except from distant Argentina. This is a tribute to the "good neighbor" policy of Uncle Sam and to the good sense of those of Uncle Sam's neighbors who are realists and watch Hitler's rise with concern. Past Pan-American conferences—the Lima meeting was the eighth—have frequently been turbulent with delegates withdrawing and records expunged. The reason has been the imperialism of the United States and our unilateral interpretation of the Monroe Doctrine, which very often has united against us the whole of an impotent but resentful Latin America.

In the past whenever we wanted territory we took it. We took Texas, New Mexico, and California from Mexico. We took Cuba from Spain. We took Panama from Colombia. And we were more forthright than the German, Italian, or Japanese aggressors. "I took the Canal Zone," said Theodore Roosevelt bluntly. We were equally forthright about landing the United States Marines to defend the property of banking and fruit companies in what we contemptuously referred to as "banana republics." And at one moment North American officials directed the financial policies of eleven of the twenty Latin American countries, while in six these banking agents were backed by American bayonets on the spot. In our conquests and in our interventions we frequently cited the Monroe Doctrine.

During the presidency of Mr. Herbert Hoover the State Department called on J. Reuben Clark, one of

its ablest collaborators, for a new memorandum on the Monroe Doctrine and the United States moved timidly toward what was called the "good neighbor" policy. Dwight Morrow was sent to Mexico, the United States Marines were withdrawn from Nicaragua, and our policy of not recognizing governments established by revolution was reversed. Under the presidency of Mr. Franklin D. Roosevelt the "good neighbor" policy was carried to fruition. Addressing the seventh Pan-American Conference at Montevideo, Uruguay, Mr. Hull restored to the Monroe Doctrine much of its original meaning. He pledged that Washington would not become the agent again of international bankers for the collection of debts by armed intervention. "Dollar diplomacy" was ended and the "good neighbor" doctrine became the policy not of the Democratic or Republican party but of the United States.

As a result, most of the American republics which went to the Lima conference in 1938 went in the same spirit that first brought them together for the Congress of Panama, which met at Panama City in 1826. There, a century ago, the smaller countries were not afraid of the United States whose newly announced Monroe Doctrine they applauded. (Our delegation, incidentally, never arrived, because Congress debated the matter for four months.) The Latin Americans were afraid in 1826 of the Holy Alliance in Europe. They cherished the independence they had just won and wished to make common cause against the reactionary forces in Europe, which threatened it so that, far from

feeling hostility toward the United States, they looked toward us as the country which first recognized their new freedom and the country which was most likely to maintain it.

The winning of the independence of Latin America is a dramatic story and, though Latins revere the name of Washington, few North Americans know Bolivar, San Martin, Miranda, Sucre, Belgrano, or O'Higgins—men who crossed their Delaware and passed winters at their Valley Forge. Though these liberators were influenced by the American and French revolutions, the causes of their revolts were not unlike the economic origins of the Boston Tea Party. Spain was an absentee landlord but she selfishly exploited the colonies, denying them trade intercourse with the rest of the world. The Creoles—Spaniards born in America—were barred from high office in the government, church, or army and the Spanish crown sent out overlords from Castile. Irked by the social discrimination and urged on by a taste of clandestine trade with British merchants, the colonists rose when Napoleon, invading Spain, replaced Ferdinand VII with Joseph Bonaparte. The colonists cried, "The old king or none!" But when Ferdinand was restored to his throne he proved a true Bourbon and carried through none of his promised reforms. Then the cry of the colonists became, "Liberty or death!" After three futile, heartbreaking efforts—his ill-clad, badly furbished men no match for the arms of Spain—Bolivar fought his way around the fetid Orinoco, crossed the snow-filled Andean passes,

and with Sucre and San Martin liberated a world.

Against the united monarchies of Europe, with their insistence upon the divine right of kings, the recognition of the independence of these former colonies was a vital thing. What no European country dared or would do the United States could and did do. Henry Clay fought stubbornly before a Congress which, then as now, had its little group of isolationists, parochial but self-important little men who lacked a vision either of world affairs or of their country's destiny.

"There cannot be a doubt," said Henry Clay in one famous speech, "that South America once independent, whatever may be the form of the governments established in its several parts, these governments will be animated by an American feeling and guided by an American policy. . . . But it is some times said that they are too ignorant and too superstitious to admit of the existence of free government. This charge of ignorance is often urged by persons themselves actually ignorant of the real conditions of the people." . . .

On March 19, 1822, the Congress recognized the independence of the South American countries, and out of this followed not only British recognition but the European machinations which led to President Monroe's celebrated doctrine. Canning suggested this warning of "hands off South America" as a joint Anglo-American pronouncement in order to prevent its falling to one of her rivals. The seizure of these former Spanish colonies Britain in that moment could not undertake, and what she could not do Canning was determined

that no other should do. The Grand Alliance which crushed Napoleon had been turned into the Holy Alliance under the leadership of the Tsar Alexander, and the reactionary forces of Russia, Austria, France, and Prussia were threatening to restore Spain and the former Spanish colonies to monarchical rule. A deeply religious man, Alexander had become afraid of liberal ideas and, saying that his army was at the disposal of Europe, he fashioned an early League of Nations dedicated to reaction. Castlereagh referred to the Holy Alliance as a "piece of sublime mysticism and nonsense," and the British were opposed to it by both temperament and self-interest. Accordingly, when a French army, backed by Russia, Prussia, and Austria, crossed the Bidassoa in April, 1823, and restored Ferdinand VII to the throne, Canning acted. He proposed that Washington take the initiative in what eventually became the Monroe Doctrine and he intimated at Paris that Great Britain, enjoying command of the seas, would not tolerate the restoration of the Spanish colonies by force of arms. Seven months later—December 2, 1823—the Monroe Doctrine was enunciated, the President incorporating it in his address to Congress.

"... the occasion has been judged proper for asserting," said Mr. Monroe, "as a principle in which the rights and interests of the United States are involved, that the American continents, by the free and independent conditions which they have assumed and maintain, are henceforth not to be considered as subjects for future colonization by any European powers."

After suggesting that the United States make preparations for defense "only when our rights are invaded or seriously menaced," Mr. Monroe spoke directly against the more aggressive ideology of the Holy Alliance. "The political system of the allied powers is essentially different in this respect from that of America," he said. "This difference proceeds from that which exists in their respective governments; and to the defense of our own, which has been achieved by the loss of so much blood and treasure. . . .

"We owe it therefore to candor," he continued, "and to the amicable relations existing between the United States and those powers to declare that *we should consider any attempt on their part to extend their system to any portion of this hemisphere as dangerous to our peace and safety.* With the existing colonies or dependencies of any European power we have not interfered and shall not interfere. But with the governments who have declared their independence and maintained it, and whose independence we have, on great consideration and on just principles, acknowledged, *we could not view any interposition for the purpose of oppressing them, or controlling in any other manner their destiny, by any European power in any other light than as the manifestation of an unfriendly disposition toward the United States.* . . .

"It is impossible that the allied powers should extend their political system to any portion of either continent without endangering our peace and happiness; nor can anyone believe that our southern brethren,

if left to themselves, would adopt it of their own accord." . . .

This is the Monroe Doctrine. No one can read it to-day without admiring the prevision of the men who drafted against the Holy Alliance a document which is equally applicable against the Unholy Alliance of Germany, Italy, and Japan. For their system, too, a hundred years later, is radically alien to "that of America" and cannot be extended to "any portion of either continent without endangering our peace and happiness." It is interesting to note, moreover, that, though the enunciation of this doctrine was suggested by Canning and made possible by the cooperation of the English-speaking peoples, the policy which it formalizes had been from the earliest days of our independence the recognized policy of this country. Thomas Jefferson (whose phrases are erroneously attributed to Washington) had already said, "Our first and fundamental maxim should be, never to entangle ourselves in the broils of Europe; our second, never to suffer Europe to intermeddle with cis-Atlantic affairs." Indeed, the whole of our diplomatic correspondence in the first two decades of the nineteenth century bears eloquent evidence of the efforts of the young Republic to preserve the Americas from the Europeans.

In its essence the Monroe Doctrine warns Europeans not to interfere in the affairs of America, since that constitutes a threat which we will resist as a matter of self-defense, and pledges on the other hand that the United States will not interfere in the affairs of its

American neighbors. The first proposition we have maintained for a century, though on occasions it has brought us to the verge of war—war which we have avoided because we were willing and Europe knew we were willing to wage it. The second proposition we have not respected in the past. This country has frequently intervened in the politics of our neighbors to the south. This meddling cannot be condoned by the fact that Great Britain in her trade rivalry with us may sometimes have asked us to assume police responsibilities and the resultant ill will of our neighbors when we were loath to undertake the task.

Out of the police powers and the proprietary rights which we assumed in this hemisphere has come a tacit corollary that in purely European affairs we leave the initiatives to Great Britain and offer her, as it serves our own interests, varying degrees of cooperation. In the main this worked satisfactorily, and our special sphere of influence was recognized in the Covenant of the League of Nations and in Great Britain's adhesion to the Kellogg-Briand pact. Similarly, we left the initiatives to the British during the Spanish civil war, obvious as it was from the first that, though a European question, the decision in Spain might vitally affect our own interests. As between the sides in Spain we had no interest, but in the nature of the victory we were gravely concerned. In a moment when the Monroe Doctrine was suffering the hostile activity of Germany and Italy it was not to our interest to have the victory a German-Italian victory and have the Spain which

emerged a springboard for Goebbels-trained agents operating in Spanish America against the United States. We went along in the habit of the corollary, blind to the fact that Great Britain was losing her balance-of-power position in Europe and that the German will, not the British will, would prevail. And General Franco has now publicly announced his alliance with the German-Italian-Japanese bloc. We trusted to an outmoded habit in our diplomacy, just as we were divided on extraneous issues where the arms embargo and our neutrality legislation were concerned.

In exactly the same way our proprietary position in Latin America has become outmoded. The workability of the pre-New Deal Monroe Doctrine is lessened as technical advances—especially in long-range bombers—reduce distances. Germany, Italy, and Japan already can reach many regions of South America as swiftly as the United States can move cruiser divisions or flying fortresses there. If Germany retakes her African colonies or deprives Spain and Portugal of the Canary and Cape Verde Islands, the lesson will be plainer still. Consequently, American defense tends increasingly to require the cooperation of all the Americas. And precisely for this reason the Monroe Doctrine tends increasingly to become the charter of the freedom of all the Americas.

A general recognition that the Monroe Doctrine has multilateral rather than unilateral value is, therefore, the most important development of the Lima conference and of this immediate phase of history when Hit-

ler has become the dominant fact of our time for the Americas as well as for Europe. Like League of Nations or other conferences the Lima meeting provided headlines which proved its utter uselessness except as a clubroom gathering place for foreign ministers and as an educational rostrum for home opinion. What mattered at Lima made no headlines exciting but it did make friendships firmer. The United States is obliged—it became clear at Lima—to defend the whole of America in order to defend itself. And if the United States is to be successful in this task it must have the friendship, the respect, and the cooperation of every one of the twenty Latin American republics.

Do the Latin Americans understand this? Are they willing to extend friendship, respect, and cooperation? To answer this question one must go to the individual countries—because the first thing to learn about Latin America is that there is no such political entity but only twenty Latin American countries. For the purposes of immediate American policy the countries which lie within the present cruising radius of our naval and air fleets need cause us no concern. They are our friends and they lie within areas we can defend against hostile encroachments. There are six major countries, however, which could come under the sway of the Unholy Alliance and, once hostile to us, could berth instruments of aggression which distant enemies might employ against us. These countries which it is to our immediate interest to examine and understand are Peru, Bolivia, Chile, Argentina, Brazil, and Mexico.

II

THE heirs of the Spanish *conquistadores* rule Peru, but the country is inhabited by Indians and owned by foreigners. The visitor may pass months in Lima, the capital city, but only after seeing the country as a whole does he realize that the Indians and the foreigners *are* Peru.

Lima is a proud city, for it was founded in 1535—nearly a century before the landing at Plymouth Rock. San Marcos is the first university of the New World, antedating Harvard by eighty-seven years, and Lima remembers that when the viceroys reigned Lima was the capital of all Spanish America.

“Where is there such an aristocracy?” a Peruvian friend asked me as we lunched in the very modern country club. “Where else are there men like Don Pedro de Aliaga, Don Felipe de la Torre-Bueno, Don Carlos Zarala Loaysa or Don Pizarro O’Phelan—all lineal descendants of the *conquistadores*?”

Prescott has made the story of the conquest familiar. Learning of the civil war between the two Incas, Francisco Pizarro marched on Cajamarca and Cuzco with only 110 foot soldiers and 67 horse to destroy the most far-flung of all the Indian empires. Tricked and disarmed, the Indians were slaughtered and the impris-

oned Atahualpa filled a room with \$15,500,000 of gold ransom only to be baptized a Christian and strangled to death in the end.

The heirs of these conquerors rule today over a land twice the size of Texas. First producer of vanadium, Peru has mountain fastnesses fabulous with copper, gold, and silver; thousands of acres of coastal valleys sowed to long-staple cotton and sugar cane; and deep jungles rich with oil and unexplored possibilities in coffee.

There are three Perus. From the Ecuadorian Gulf of Guayaquil to Arica in Chile, the 1400-mile coastal desert, so rich with oil, is rainless except every decade or so, but it produces an abundant yield of cotton and cane under irrigation. Above the whole line of this coastal plain tower the mighty Andes, backbone of Peru. Rising precipitously to about 12,000 feet, the range runs generally at the height of Mont Blanc or Mount Hood and puts up peaks like Huascarán, Solimana, and Coropuna—all of them more than 20,000 feet high. Finally there is the third Peru. Winding down the Andes slopes away from the Pacific and toward the Atlantic, the roads parallel the rushing streams which are the headwaters of the Amazon, for the third Peru is tropical jungle.

These three lands are peopled by a population of only 6,000,000. Seventy per cent are Indians. Living still under the conqueror's heel, the Indian who does his work and fights his wars endures dire poverty by

crunching the cocaine out of the coca leaf. Twenty per cent of the population is *mestizo*—Indian blood mixed with Spanish, Italian, Japanese, and the like. Ten per cent of the population is white.

In this distribution of race, as in its varied geography, Peru is typical of the vast southern continent toward which Germany, Italy, and Japan are looking today for trade and for allies. Like most of the other Americas, moreover, Peru is organized as a colony rather than as an independent state. Its riches are dug up for foreigners and hauled away to enrich other lands as in the days of Pizarro.

For in the past the proud Peruvian has been too proud to work. Either he lived in Europe or on his hacienda—the great estate which is not yet broken up—or he studied for a legal, literary, or military career. Engineering, finance, and commerce have been eschewed until recently. As a result, the Peruvian and the riches of his country have fallen into the hands of foreigners.

I was struck immediately in Lima by the fact that the very uniforms of the armed services are foreign. Peru's army is dressed precisely as the army of France, for the training of these immaculately uniformed Indians is in the hands of a French military mission. The United States trains the navy, and Callao and Lima are full of the tar's midgy. The air corps and the police, trained by the Italians, wear the uniforms of that country.

Less conspicuous but more important is foreign

domination in other fields. Now that guano is no longer the staple source of Peruvian revenue, oil, copper, gold, and silver are the kings. But the oil is taken away by the International Petroleum Company and the metals by Cerro de Pasco—the two American concerns which account for most of our \$200,000,000 investment—and only taxes and wages stick in Peru. Two of the largest sugar properties are German and American, while a single Japanese holds 11,000 acres of cotton land. The Peruvian Central Railway, built by the Yankee Meigs, highest standard-gauge line in the world, is British. International Telephone and Telegraph owns the telephones. The hydroelectric development is Italian. The big commercial houses are American, British, and German, while the Japanese run the small retail stores. Air lines and shipping belong to Grace and Company, American.

Banking, too, is foreign. Fifty per cent of it is in the hands of the Banco Italiano. Gino Salocchi has managed to preempt for the Banco Italiano many of the prerogatives of a Central Bank, and in some quarters he is referred to as the "Viceroy of Peru." While an American bank has frozen as much as \$4,000,000 in a single enterprise, the Gildemeister sugar properties, Salocchi has spread his millions over literally thousands of smaller enterprises with relatively no losses.

This, then, is Peru. The American stake is the greatest, Britain having ceded its primary position. But the Italians, Germans, and Japanese have certain advantages in the game of ruling the fraction of the popula-

tion which keeps nominal power over the country. Their regimes appeal to a dictatorship more than the American system. Their methods are more easily adapted to those of South America than ours.

In this country inhabited by Indians and owned by foreigners the Japanese colony has been able to say something to the dictator which no American colony can say. The Japanese have said that if the regime is threatened they can put 5000 armed men into the field to aid the dictator. And the Italian bank can do what American banks find difficult. It can advance the dictator current cash when wages to the army are not forthcoming.

But the bankers live in Lima, and Lima is not Peru.

2

Its 6,000,000 population, governed by a small white fraction, and its riches, largely in the hands of foreigners—these cause Peru, like most South American countries, to live in dread or hope of revolution. What has happened in Mexico may happen in Peru if there is a new deal to cut the Indians in and the foreigners out.

Such a program of social revolution has been championed for a good many years now by APRA, or the Popular Alliance for American Revolution. The leader of this non-Fascist, non-Communist movement is Victor Raul Haya de la Torre.

This man is confined—though I contrived to see him

—and most of his colleagues have been killed, imprisoned, or exiled. APRA is driven underground and is definitely on the defensive for three reasons.

In the first place, Peru has been enjoying a boom, and revolution rarely flourishes in good times. In the second place, Peru is governed by Generalissimo Oscar Benavides, an able and more or less benevolent dictator, who uses force when necessary, as he told me himself. Finally Haya de la Torre has opposed the use of violence and asked his vast following to achieve revolution by constitutional means.

In the last election, in 1936, Haya de la Torre's candidate was clearly elected when only 80 per cent of the ballots had been counted. Backed by the army, Benavides stopped counting the ballots and declared the election illegal. There have been no elections since, and with APRA outlawed, on the clearly dishonest ground that it is a "foreign" movement, Benavides rules without a congress.

Before I interviewed Benavides and Haya de la Torre I heard the most extravagant charges against both. Benavides was described as a reactionary stand-patter, in the hands of foreign financial interests—a second Leguiva. Haya de la Torre was described as the leader of Russian-inspired bomb throwers. Neither indictment is true. To understand the virtues of either, it is necessary to review the vicious regime against which both men have fought.

No worse fate could have overtaken Peru than the dictatorship of Augusto Leguiva, who ruled ruthlessly

from 1919 to 1930. During that time Leguiva gave foreigners liens of petroleum, customs, and guano with the right to collect taxes. He increased the public debt from \$10,000,000 to \$111,000,000!

According to testimony before a United States Senate committee, his son, Don Juan Leguiva, received \$405,000 for engineering one of these loans. Don Juan also built and operated a private wharf for contraband goods, pocketing literally millions. Virtually none of these vast sums was used to the permanent benefit of Peru, which groaned under a murderous persecution.

It was of this dictator that the American Ambassador, Alexander P. Moore, said, "Leguiva is a greater commander than Caesar, a greater law-giver than Napoleon, a greater diplomat than Richelieu; after God comes Leguiva."

The dictator betrayed the true interests of Peru to serve the shortsighted interests of foreign capitalists, and Moore betrayed the true interests of the United States to serve the same group.

Leguiva fell the first time he neglected to pay the army. A military coup led by Colonel Luis Sanchez Cerro took power in 1930. The men Leguiva had hounded out of the country came back. Haya de la Torre stood for the presidency and lost the vote to Sanchez Cerro, a second-rate soldier who was not equipped to meet the problems which came with the world-wide financial collapse.

While disorder spread throughout Peru, with violent anti-foreign feeling, a moratorium was declared.

Bonds sold to American investors fell from \$97 to \$7. The American public lost almost \$100,000,000. These were loans that had not served Peru, loans that were not wanted by the mass of Peruvians. And yet they were publicly urged by men like Ambassador Moore and they had the approval of the State Department.

Sanchez Cerro was assassinated in 1933 and General Benavides took over. Haya de la Torre, after a year in prison, was released, and Benavides stood by while 50,000 listeners applauded the radical in the Lima bull ring. The two men cooperated wholeheartedly in removing the threat of war with Colombia, sending the Leticia incident to arbitration. Within two years the country was clearly behind Haya de la Torre. Benavides ordered his arrest and proscribed APRA.

In the one-man rule which has followed, Benavides has clearly benefited from boom times. Cotton is not Peru's most important produce economically, for it falls far behind petroleum, copper, silver, vanadium, and even sugar. But cotton is king politically. Petroleum, copper, and the like enrich the Americans, not Peruvians, while the sugar properties in Peruvian hands are vast haciendas benefiting half a dozen families. Cotton is grown, however, by thousands and thousands of small Peruvian farmers. A large and significant body of the Peruvian population has benefited, therefore, from Roosevelt's curtailment program, which opened up markets for Peru's high-grade long-staple cotton.

Simultaneously, copper and other mines, benefiting

from world rearmament, have contributed wages to workers; the elite of Peru, which traditionally spent its money in Paris and along the Riviera, finding that the exchange works against them, remain in Peru and are beginning for the first time to invest at home. There is not enough political confidence, unhappily, to inspire large-scale Peruvian investment in the development of mines and industries. Peruvian investments are largely in land and in construction. Lima's new suburb of Miraflores rivals an American real-estate development, however, and the city which has the Torre Tagle palace—the classic example of Spanish colonial architecture at its best—also boasts thousands of handsome new homes that look like Florida and California developments.

Adding his own public-works program, since there is a suspension of debt payments, Benavides today has Peru at work.

3

My questions must have been sharper than I realized, sharper than the questions that are put to South American dictators. For midway in our conversation Generalissimo Oscar Benavides, the President of Peru, halted me with an abrupt gesture. "You must have heard that I eat little babies," he said.

"No, Excellency," I replied, "but I understand that you have a good many people in jail."

"That's true," said the President of Peru. "There are several hundred in jail and there are many in exile.

I will imprison all those who endanger the security of the state. But I have been more generous than most. Haya de la Torre is not in prison and certain of his relatives hold governmental jobs. I have no politics. I stand between the extremists of both sides. My politics can be defined simply—Order, Work, Peace.”

This is the man. Plump—his political foes call him “Waterbelly”—Benavides retains, nevertheless, the carriage of a military man. Forthright in conversation, he cultivates the simple bluntness of the soldier and resembles, perhaps consciously, Primo de Rivera, the military dictator of Spain a decade ago. He was educated at Saint-Cyr, the West Point of France, and he conversed with me in precise yet easy French. A former Ambassador in Rome, where he became the friend of Mussolini, he also speaks Italian.

Mme. Benavides is an aristocrat, handsome and imperious. Her friends are the socially elite, and she has interested them in welfare work. Though the President is supported by and protects this group, he sees the necessity of breaking with their conception of old Peru. I think he is sincere when he talks about the middle road. He certainly is dead set against the outright Fascist reactionaries who own *El Comercio*, the country's leading newspaper.

“We need to work,” he told me. “I am building roads, constructing new irrigation projects, and spreading education. We are halfway through a three-year road program, for which I first set aside 50,000,000

sols and later added 35,000,000. This program will complete the Pan-American highway within Peru's borders as well as several east and west roads connecting the coastal lowland with the Andean highlands and the Amazon selvas."

The road program, in which he has already built 1000 miles of highway, has taken about an eighth of the annual budget of \$33,000,000. The strain has been too great and Benavides has borrowed 37,000,000 sols (\$7,000,000) from the International Petroleum Company. The Apristas describe this as a secret loan because no Peruvian newspaper has published it, and they underscore the clause which provides that Benavides is not to increase duties now levied against International Petroleum.

It is this sort of thing which makes the Apristas describe Benavides as another Leguiva. Here is their case against Benavides; and the oil company (International), which belongs to Standard Oil of New Jersey, is said to have paid dividends last year of \$53,000,000 on oil drawn from Peru, Colombia, and Venezuela. About a quarter of this oil was drawn from Peru, so that the country's oil resources are enriching citizens of the United States by about \$13,000,000 a year.

International produces Peruvian oil at about thirty five cents a barrel—oil which it sells for two dollars. Apristas charge that by "bribing" Benavides with this loan the oil company has limited taxes to ten centavos or two cents a barrel on oil sold for two dollars.

International points out that the oil properties would

not have been developed except by foreign capital, that some 10,000 workers receive an average daily wage of three sols (sixty cents), and that the company provides schooling for some 5000 children. The Apristas insist, nevertheless, that a Peruvian resource is being exhausted for the benefit of foreigners and that a dictator is being kept in office because he deprives Peru of a proper revenue. The Apristas' point of view is influenced largely, of course, by the consideration that they are being kept from power by this loan which steadies the Benavides regime.

Neutral foreign observers suggest that the annual budget goes to the public benefit with a minimum of graft. In addition to 1000 miles of road, Benavides has built nearly 1000 workers' homes, has replaced the Aprista restaurants which he closed down with new popular restaurants that feed 1000 children free each day and sell three-course meals (which I ate and found good) for six cents. He has about 80,000 workers on public-works projects and pays them two sols (forty cents) a day, the basic wage of Cerro de Pasco.

In social legislation Benavides has gone far. Two weeks' vacation with pay is compulsory and one month's salary for every year's work is required for dismissal without reason, and these laws apply to foreign as well as to Peruvian companies. Compulsory social insurance is also nationwide.

"Yes, I think we can continue this social program," Benavides said in answer to a question, "and resume

debt payments at the same time. That depends, of course, on the bondholders. They must be reasonable."

Negotiations have been under way for some time now to restore something of the hundred-odd million dollars which American investors lent Peru during the Leguiva regime, interest payments on which have been in default since 1930. A probable basis of settlement would reduce the rate of interest to 3 per cent, wipe out \$28,914,085 in arrears of interest, and arrange for payment of about \$90,881,950 of principal. It has been suggested that to do this Benavides would require new loans from the United States. I asked him about this.

"Not necessarily," he said, and that was all he would say. I complimented the President on what I had heard of his economies and his efforts to spend his budget on real improvements.

"Yes," he said, "you will find that they call me a miser. Even members of my cabinet—especially members of my cabinet who feel that I hold the purse strings too tight."

The President agreed that relations between Peru and the United States had never been better. I asked him about his trade with Germany, Italy, and Japan.

"I trade with Germany and the others and I intend to continue to trade with them. The Germans offer cheap prices and better credit facilities than any other country."

I suggested that certain Central and Southeastern European countries who had begun to trade with Germany for the same reasons had slowly found themselves

drawn into the German orbit, that barter went with bayonets, and that German trade was part of a program of political expansion.

4

I knew after two minutes of conversation with Victor Raul Haya de la Torre, the leader of APRA, the Popular Alliance for American Revolution, that I was in the presence of an extraordinary personality.

I have talked with Roosevelt in the calm dignity of the White House executive office and I have walked those fifty paces across the marble floor in the Palazzo de Venezia to talk with Mussolini—the two most winning personalities of our time.

It was drab and far from impressive in the worker's home on the outskirts of Lima where I met Haya de la Torre—a man in hiding; a man who has spent five years in jail, five months of that time in a cell where he never knew whether it was night or day.

And yet after two minutes with this “unsuccessful politician” I caught the same spark, for when you talk with Roosevelt or Mussolini or Haya de la Torre you feel, during the conversation, that there are no limitations upon human capacity. It is an illusion, of course, but you feel that the two of you can do anything.

Looking like a man still in his thirties, Haya seems deep-chested and heavy-shouldered—which he is not. The intellectual's high forehead and the Spaniard's hooked nose, with fullness of jaw, belie the softness of his large brown eyes. Watching his physical coordina-

tion as he strode about the room, eased back into a deep chair, and punched home his points with a jabbing forefinger, I realized that here were the imagination and energy which are responsible for the first indigenous system of political and social thought in the history of Latin America—the man and the movement which have spread from Peru into Argentina, Ecuador, Colombia, and Salvador, allied themselves with parties in Chile and Uruguay, and had their program adopted in whole or in part by the revolutionaries of Mexico and Cuba.

I believed this man when he said, "President Benavides doesn't dare arrest or kill me; either would be a signal to raise this country to wrath and fury. Men who have never resorted to violence could not then be restrained. While speeches were being made about democracy at the Pan-American Conference, the jails were full of political prisoners, and men who really believe in democracy were on hunger strikes. Benavides will beware turning these idealists to violence."

He said this as convincingly as when he admitted that APRA is losing ground today. "Yes, we are 'on the run,' as you say colloquially. Revolutions don't prosper in good times and Peru is enjoying a 'boom.' Two years ago we had won the election by the time 80 per cent of the ballots had been counted. Benavides declared the election illegal. With the whole nation behind us we could have taken power, but I ruled against violence. So long as this boom continues and Benavides gets foreign loans we cannot come to power by consti-

tutional means. I am still against violence but it may be necessary to change our methods. It may be that force is necessary."

Haya's serviceable English—he was reading at the moment such diverse books as Harvey O'Connor's *The Guggenheims* and Einstein's *Relativity* in English—grew more and more liquid, rippled, and became eloquent. "The failure of the things we have imported from Europe," he said, "the Spanish conquest and the Republican idea, teaches us our historical lesson. We must seek for ourselves; we must have something truly American."

And out of this would come questions about Oxford and the London School of Economics, where he studied during exile. "And tell me about Russia, your last trip there," he would say, adding that his own trip there cured him of Communism forever. He also lived in France and Germany, and he wanted to talk about those two countries. But I wanted to know about APRA.

"APRA alone can save Peru and South America," he said. "Peru today is sick with corruption and betrayal. It is a body full of pus. But one day we will make it clean and whole. I insist that Apristas must lead clean lives themselves—sensuality destroys men in the hot countries of South America. And we have built a corps of strong men, the same clean youngsters who went out with me during our university days to teach the Indians. They are clean. Go among the reactionaries around Benavides and you will find that their checks

are returned by the banks, marked, 'Insufficient funds,' and that, though they live by graft, they never pay their bills. Go among the simple millions who belong to APRA and you will find that they pay their rent and the grocer and the butcher—however poor they may be.

"We are building functional democracy. I insist that we must bring the Indians—three quarters of our population—into the life of Peru, not treat them like animals. But when we integrate Indians and *mestizos* into the life of Peru we must recognize the necessity for leaders—not merely political leaders but technical leaders and, of course, no Spanish *caudillo* or German *Fuehrer* or Italian *duce* but depersonalized leadership. I will spread power by decentralizing it through trade unions scattered over the whole country, so that power cannot be absorbed by the 'state' as in totalitarian systems.

"European ideologies are no good for the Americas. How can you have Communism, for instance, where there is no proletariat? South America isn't industrialized and there isn't any proletariat. I don't want the European notion of class; I want a common front of all exploited classes—the Indians, the workers, and the middle class, which is more exploited by foreign imperialism than any other and is comparable really to the European proletariats.

"South America isn't ready for anything but functional democracy. It hasn't had a French Revolution. The wars for independence were more like the demands the barons put to King John in Magna Carta.

Under Bolivar and San Martin rich South Americans fought only to break away from the Spanish crown. They did not divide up the *fundos*, or great properties. This system of *latifundismo* and exploitation by foreign capital hold down the masses and degrade the 'elite' in a continent where democracy means not equality of opportunity but freedom from the Old World. South American countries are still organized as colonies, and they think as colonies.

"APRA fights against imperialism and exploitation by foreign capital; it proposes to nationalize land and industry and it seeks the economic and political unity of all Latin America. But please understand me on foreign capital. I'm not a fool. When I take power in Peru I am going to need foreign capital. I am going to keep foreign capital and use it. But Peru will rule Peru. The foreign capital will not rule the country and will not be used to its exploitation. And there will be no more bribes like International Petroleum has just given Benavides."

I got the impression that Haya, like any sound politician, knows how to compromise with the lesser of two evils and that foreign capital is distinctly less dangerous now than reactionary forces in alliance with German Nazism and Italian Fascism. I asked him about this.

"That is the real danger for us and for you in the United States. The reactionaries know that we won the last election and that we are coming to power inevitably. They are willing to betray the country and

American solidarity to the Fascists just as Franco did in Spain. That is why the Italian and German banks advance a dictator like Benavides money when he wants it and why the Japanese colony has promised to put 5000 armed Japanese in the field to fight for him if he wants to shoot down the Apristas.

"I have accepted your 'good neighbor' policy on face value. I trust Roosevelt not to be merely masking the old imperialism. And I have sent these instructions to Apristas everywhere. But why, then, must you work against us, the real fighters for democracy, and support men like Benavides, the fighters for Fascism? The 'good neighbor' policy is not neighborly to the masses but only to the tyrants who oppress them. That is as bad as the old imperialism—as bad, I mean, for you and for us."

I told Haya that the United States could scarcely intervene on his behalf—that he would be the first to oppose American intervention if the intervention served someone else.

"I don't ask you to intervene on behalf of your own kind of democracy," he concluded. "I merely ask you not to destroy our chances by pumping millions of dollars into the coffers of a regime which is ruining Peru and which will ally itself with Fascism against your own interests."

5

Outside Talara, the sweltering desert port near the Colombian frontier, where the Americans take out the

petroleum, Peru is building a military airport. The material is German—German cement, German structural steel.

Going up the highest standard-gauge railway in the world to Cerro de Pasco, the great American mines, you find that the new aerial tramway which brings the ore from San Cristóbal to the concentrator is built by Germans with German material. Cerro de Pasco did not want to give the job to Germany; American bids were too high.

Not far from Lima, the Peruvians have built their first aircraft factory. The factory is Italian, built by Caproni to build Caproni bombers, which, from what I saw of them in Ethiopia and Spain, ought to serve Peru well if Peru keeps an overwhelming preponderance in the air.

Looking out from the veranda of the Lima Country Club, where you eat avocado pears stuffed with shrimp—one of the world's delicacies—you see that the shiny new automobiles are small Italian and German cars, less powerful but cheaper than American cars.

Reading Peruvian newspapers, you get not only the censorship which is to be expected in a dictatorship country; you also get the kind of "canned" and formalized pro-Fascist bias which, when I see it in Egyptian or Hungarian or French newspapers, I know is bought and paid for. You make inquiries and you hear that the Italians are spending money. The German "news" agency, Transocean, moreover, distributes free of charge some 2500 words of daily "news" reports, into

which is injected much about the collapse of democracy, the control of America by Jews, and the *Voelkischer Beobachter's* catalogue of lynching and gangster horrors.

You go to a dinner or a reception in the Torre Tagle palace and you are struck by the Italian decorations which the Peruvians wear. The Italians distributed twenty decorations immediately before the Pan-American Conference.

You find the taxi drivers talking in an excited cluster before the Hotel Bolivar. "What's the trouble?" you ask. Several tell you excitedly what they are arguing about. Some Italians and Germans just walked by, they say, and told the cab drivers, "Don't take any nonsense from these North American 'gringos'—they are your enemies."

In a store which has the agency for a certain German produce, the Peruvian manager tells you that he has just had orders to discharge two Jews who work for him; otherwise he will lose the agency. In a train you talk with the German manager of a German textile factory in La Paz, Bolivia. What is he doing in Peru? "I am discharging all Jewish employees—orders from Berlin," he says. "Mein Gott, I don't know what I am going to do about Santiago," he adds wryly. "There our Chilean manager is a Jew—been twenty years with us; half our firm, we can't possibly replace him." You suggest that his firm is independent of Germany and ought not to take orders from the Nazis. He shakes his head and says, "Relatives in Germany."

You find out what he means when you talk with a young German businessman in Cuzco, an Indian town over the watershed up in the high Peruvian mountains which feed the headwaters of the Amazon. This man wears the Nazi badge and you ask why, since he is making a new life for himself in Peru and has even taken a Peruvian wife. "I felt that way too," he says. "I'm not interested in politics. The Nazis asked me to become a Nazi and I said, 'Why should I become a Nazi? I think Hitler's crazy.' Well, they reported that to the German consulate and the report went to Berlin. My mother, an old woman who has never had any political interests in her life, was arrested. They put my mother in a concentration camp. I became a Nazi to free my mother."

Coming suddenly into the Plaza de Armas in Arequipa, a four-hundred-year-old oasis town high in the Andean desert, you are struck by the beauty of a place more Spanish than anything in Spain. And the people are more Spanish—wrinkled slate skins, little tiny hands and feet, and deep eyes burning with the sadness that comes out of Estremadura. And then, when you look under the Portales that surround the square and tear your heart with memories of austere stone in Avila or sunshine splattering the stones of Pamplona, you find that every store is Japanese.

The Japanese names jar, but they are on literally every store front. These industrious little Easterners, with 30,000 of them already emigrated to Peru, run all the cheap stores of the country; hold cotton lands that vary from tiny plots to 11,000-acre estates; and, by haz-

ard or design, have bought all the water frontage in the town of Chimbote, a perfect deep-sea anchorage or naval base.

It struck me as curious, incidentally, that while the bookstores of Arequipa, also Japanese-owned, presented many worth-while and interesting European translations, United States literature was represented by only two books. They were *El Judío Internacional* (*The International Jew*), by a promising young author named Henry Ford, and a book, also in Spanish, by a Mister Spike Boardman, called *I Was a Friend of Al Capone*.

But American and other businessmen are less interested in books than in trade and banking. "You can't beat the German on trade," some of them told me. "He is selling radios and cars and farm implements and when you meet his price he offers three to four years' credit, and if that's not enough he will barter machines for cotton. And he gives champagne parties and knows the value of a bribe, where that counts."

"You can't beat the Italian on banking," said others. "Gino Salocchi is not merely head of the Banco Italiano; he is the Viceroy of Peru. He banks President Benavides. He lines up the Italian colony and the large Fascist group among Peruvians. His bank regularly shows the best profit of the year. Since Fascism has come to Italy and Salocchi has played the Fascist game in Peru, he has doubled the Italian stake here. Salocchi keeps an inside track."

There is no question about it. The Italians, the Germans, and the Japanese are busy in Peru. And they are

making progress. German trade speaks for itself. In 1934 Germany exported to Peru \$3,551,000; in 1935 her exports were \$6,376,000; in 1936 they were \$9,684,000; in 1937 they reached \$11,168,000. In four years Hitler moved German exports up from 9 per cent of Peru's purchases to 19.7 per cent. For the first six months of 1938 German sales totaled \$6,180,000 or 20.1 per cent of Peru's imports.

The competition of these totalitarian states will become increasingly difficult to meet as they make the Benavides regime increasingly dependent upon them for financial and political support. They are busy and they are making progress.

6

There is no doubt that the Italians, Germans, and Japanese are making heroic efforts in Peru, but the United States holds tremendously important cards and is scarcely likely—despite some of its blunders in the past—to forfeit its primary position.

Gino Salocchi has doubled Italy's capital investment in Peru so that it stands around \$100,000,000 today, with the Italian utilities company, the Caproni air factory, and numerous undertakings of the Banco Italiano. The German bank, Aleman Transatlantico, extends government indebtedness, and a family with German connections (Gildemeister) controls a \$20,000,000 sugar investment. Japanese interests, large and small, buy more land for sugar and cotton.

These efforts represent but a negligible proportion, however, of the total foreign investment of \$400,000,000. Fully half of this is held by the United States, and Great Britain comes second with a stake of about \$150,000,000. The first four enterprises of Peru are the British-owned Peruvian Corporation, which owns the railroads; the International Petroleum Company, which Standard Oil controls; the Cerro de Pasco mines, which Morgan, Hearst, and Mills opened; and W. R. Grace and Company, which monopolizes shipping with the United States, controls the air lines, grows sugar, and banks and sells. In addition to three of the first four corporations of Peru, American capital is further represented by the Vanadium Corporation, Guggenheim copper, the Callao docks, the telephone monopoly, and Wessel, Duval and Company, a competitor of Grace.

On trade the Germans have quadrupled their exports to Peru since 1934, so that Hitler is now perhaps the country's second-best customer. But, impressive as they are, these figures bear inspection, against the general theorem that the United States, taking only a third of South America's trade, must realize that these countries find natural markets in Europe and that to sell you must buy. Several points are significant.

In the first place, Germany's gain has not reduced American trade with Peru. While Germany sold \$6,180,000 in exports to Peru during the first six months of 1938, the United States in the comparable period sold \$11,165,000 in exports or roughly 36 per cent of Peru's total purchases as against 20 per cent by Ger-

many. American trade is being steadily increased, moreover. German gains are largely at the expense of the British, from whom we wrested first position during the World War.

The generally favorable position of the United States in trade and commerce strengthens its hand in other matters. Thus while Peru's army is French-trained and its air force and police Italian-trained, the United States last May got control once again of the Peruvian navy. Its training is in the hands of a group of American naval officers who are proficient not only professionally but also diplomatically—which is vital, since in foreign missions tact is the most desirable of all qualities.

The Italian general who is training the Peruvian police force, which now rivals the army as an instrument of the regime, is lacking in this quality. His want of popularity caused a serious incident a year ago at San Marcos University, where a crowd of students demonstrated during his visit and paid for their exuberance by being imprisoned or exiled. This sort of business and the contrast offered by the modest and essentially "simpático" attitude of the American naval mission and the Attaché should do much to help the United States take over the air mission from the Italians when their term expires in the autumn of 1939.

There is much debate at home on American military missions, since a Senate committee has revealed that they push arms sales, and there are certainly many deplorable aspects to the present armaments race in

South America. Leaving these considerations aside, it seems clear that if these countries are building armed services their training by American rather than by Italian and German missions would be desirable. Italian and German officers use the opportunity to attack democratic institutions and to build a corps of Fascist-minded officers who are anti-American.

This being true, Ambassador Steinhardt—acting obviously on American policy—used his influence to facilitate the selection of an American naval mission and has persuaded the Peruvian government to renew payments to the United Aircraft and the Electric Boat companies on account of past arms purchases which were recommended by American missions. The better relations which he has established with the Benavides regime are also responsible, no doubt, for the fact that Peru recently purchased twenty-one American planes after Benavides had already drafted a contract for thirty Italian ships.

There are a number of reasons why many observers believe that the United States will take over the air mission in 1939. The first is the obvious superiority of American aviation. There have been reports that Italy stole the show at the Lima air meet a year ago. They are misleading. The United States navy put sixty-seven planes into the air and flew them in perfect formation from the aircraft carrier *Ranger*. The Italians arrived with ten planes and crack stunt pilots. Unhappily two of the ten Italian planes cracked up in taking off from the airport; three had to leave the formation within

ten minutes because of engine trouble—due no doubt to the fact that they had to borrow from Americans the special mixture of gasoline which the planes required and which the Italians had neglected to bring. The stunting of the Italians was perfect and because of navy regulations the Americans offered no competition, but at the end of the Italian effort a young Peruvian took off in an outmoded type and, perhaps because of the understandable patriotism of the Peruvians, won greater applause than the Italians.

In building the Caproni plant, moreover, the Italians may have oversold the Peruvians. Without further equipment and mechanics it is not yet a "factory" and has been useful to the Peruvians so far only as an assembly and repair shop. Two Peruvian pilots told me, besides, that they much prefer Curtiss Hawks and Falcons and the Douglas machines to Italian planes. The thirty-one planes which have been bought from Italy were taken, I was told, only because Gino Salocchi, of the Banco Italiano, and the Italian Ambassador exerted pressure which Benavides, as their political and financial debtor, could not withstand.

Thus, from the military point of view, as well as in matters of finance and trade, the position of the United States at the moment would appear secure. But the Italians, Germans, and Japanese are resourceful as well as energetic, and their weapons in Central and South-eastern Europe have caught the British and French by surprise. They had no reason to fear that Germany in five years would take not 20 per cent but 60 per cent

of the trade of that region and reduce Austria, Czechoslovakia, and the rest to varying degrees of vassalage or dependence.

7

During the Pan-American Conference the Italian and German journalists mocked the word "democracy." It was a strange word to hear in a congress hall in a country where there is no congress and from the lips of a dictator like Benavides, who stole the last election and was in power to open the conference only because he had enough machine guns to prevent another election. You wondered what the word meant to the illiterate and half-starved Indians, three quarters of the country's population, who stood outside the congress in silent incomprehension.

And yet the South Americans, as I was to learn, like the appellation. They boast of democracy with no self-conscious hypocrisy. They really mean republicanism, and of that they are proud. What George Washington is in the North, Bolivar and San Martin are in the South—the great liberators, the men who struck off the shackles of the Old World, the men who raised the sword of freedom and humbled the Spanish crown—to enable Americans to build a new life in a new world.

When Roosevelt talks too bitterly by name against the European dictators, the South Americans don't like it. They don't want ruptured relations with countries with whom they trade, and when disparaging remarks

are made about Europe, "the cradle of culture and civilization," they like to make them themselves, not to hear them from "business-minded, barbarian North Americans." But when Roosevelt is not too pointed against the Europeans and talks about American ideals and the American way, the peacefulness of this hemisphere, and our love of democracy, the South Americans love it.

In Peru, as elsewhere, this is a tremendous asset to the United States, as we try to keep our continental house in order against the Unholy Alliance of Germany, Italy, and Japan. Friendship and the idea that Peru has so much in common with its great neighbor to the north mean much, especially to the thousands of Peruvians who have begun to get technical training, to go into business instead of to the old careers, and who are anxious to build a better country. Such folk want to believe that the "good neighbor" policy has really replaced "dollar diplomacy."

Against this asset the Italians and Germans use two propaganda weapons, and it is important to remember that what they have accomplished in Central and Southeastern Europe is the result of new techniques, like propaganda, as much as anything else. Their first weapon is a campaign against democracy as a fraudulent and outworn form of government, with Fascism held forward as the pattern of the future and the safest defense against Communism.

They flood Lima and other towns with speakers who, whether the subject be art or malaria, find occasion to

sully democracy and praise Fascism. Against their "cultural" organizations Ambassador Steinhardt has recently organized a North American-Peruvian cultural society which is doing valuable work. The totalitarians bring in films which glorify the accomplishments of Fascist Italy—fifteen years of construction which will not equal two years' building in the United States—and I found one instance where the Germans paid a moving-picture-house operator to run the same propaganda films, showing the might of the new Germany, which obtained such good results in Austria and Sudetenland.

The fruits of these efforts, together with honors and courtesies to Peruvians who travel in Italy and Germany because American currency and steamship rates are prohibitive, can be found at the dinner and luncheon table of the Peruvian reactionaries. Here many American businessmen are the unwitting allies of the Italians and Germans. They say about Roosevelt and the imminence of Communism in the United States exactly what the Italian and German agents say. In the United States let these Americans attack Roosevelt if they like, but in Peru let them think of America first and taxes later. They talk nonsense, they talk in bad taste, and they are not helping a government which is helping them. Many an Englishman in Lima thinks that Chamberlain threw away four aces at Munich never to get as good a hand, but I was not able to get one word of criticism from any of them, even by indication, against Chamberlain. While they are in a for-

eign country he is not Mr. Chamberlain to them but the British Prime Minister.

This un-American talk by Americans struck me as a strange contrast to the attitude of an American diplomat in Rome some years ago. He sent the most socially active princess in Italy away from his dinner table. After a first warning she continued to berate Hoover, then in office, and also attacked him, incidentally, as a man who was bringing Communism. "Your car is waiting," said the diplomat. "But I didn't order it," said the princess, halfway through her meal. "Oh, yes, you did," said the diplomat, ushering her out. "No one can attack the President of the United States in this house."

The second Italo-German effort is directed against American capital. It is easy to blame the ills of a country on the foreigner, and nothing sounds simpler than hints that no one pays his debts any more anyway or that Mexico by confiscating American and British oil properties has not shut doors against herself but, on the contrary, has found a ready market in Germany. The same agents who sit around the dinner tables commiserating the "destruction of American capitalism" are whispering against American capital. They whisper to a different class of Peruvian, of course, not the great owners of land but the white-collar Peruvians who work for American companies.

I found American businessmen ignorant of this, just as in the main they minimize the German trade threat. But I got so much firsthand evidence of it from both Peruvian and American white-collar workers that it

may prove the foremost Italo-German point of concentration in the future. The danger lies in what Peruvians may forget. They forget that, if American corporations do drain the country's wealth, oil, copper, and the like could scarcely have been exploited without the capital, the technical skill, and the character which International Petroleum, Cerro de Pasco, and such companies alone could command. They forget that Peruvian copper is being exploited for the very reason that Cerro de Pasco operates with a basic wage of two sols or forty American cents a day, and they want the five-dollar-a-day wage which they hear is paid in America.

They remember little things which the American companies ought to bear in mind and remedy. In Cerro de Pasco mines, for instance, some two hundred gringo or North American workers live in comfortable \$6000 houses, while one hundred Peruvians, doing roughly the same kind of work, live in barracks, many of them without toilets, all of them without the electric current made available in gringo houses for radios and electric irons. Equally bad is the attitude of many of the Americans of this skilled-labor and white-collar class who come out to work among Peruvians, the proudest of people, with an idea that they are "niggers." American companies would do well to educate their men a little, as long as the Germans and Italians, who are their enemies, receive painstaking training and do not arrive until they can speak Spanish fluently and pass examinations in Peruvian culture.

Similarly, W. R. Grace and Company got no credit or good will from the Peruvians when they finally put in showers and a swimming pool at their Cartavio plantation in 1934. With a basic wage of one peso or twenty cents a day Grace had had labor trouble and replaced the gringo with a Peruvian administrator. Instead of thanking Grace, the Peruvians said, "Under the gringo administrator we got nothing; as soon as the Peruvian came in, we got showers and a swimming pool—we ought to throw the gringos out."

In the same way Benavides, who ordered it—not the American companies who must pay the bill—got the credit for social insurance and holidays with pay. Even after the new provisions, which they might have anticipated, certain American companies would not pay the one month's wage for every year's employment provided for unjust dismissal; they forced the Peruvian worker to sue, so that in the end he could get nothing. And I met gringo workers for International Petroleum who were getting their first holiday in three years—even though they have been living in the terrific heat of Talara without wives or social distraction.

These companies are operating in places like Peru, of course, precisely because of lower labor costs. But they must realize that just as labor conditions in the States have improved so the Peruvians hope for improvement, and that without good will for the Americans Peruvians are ready listeners when the German and Italian agents are about. The problem of the American company in Peru as elsewhere in South

America is clear. Will Peru follow the examples of Mexico and Bolivia and confiscate American property? The businessmen I talked with asked that Washington take a strong line and protect them—which Washington, of course, should do. But short of fighting wars all over South America, Washington will not be able to help if American companies fail to build good will and if German and Italian agents exploit Peruvian bitterness.

It is like the problem of trade. Most American businessmen say, "How can we compete with Germany unless we slash labor costs the way the Germans have?" Actually I have found in Germany that labor costs are not cut so much as the middleman's profits and the capitalists' dividends. If America is to hold its dominant position, everybody must make a contribution—the government must help, the worker must help, and the company must help. Peru is slowly evolving, trying to move forward; and if the American companies block that movement and have no policy beyond bribing the current dictator, then nothing could save them or the position of the United States. Fortunately that is not the attitude of the American companies.

8

Watching the struggle in Peru between the Americans, the Italians, the Germans, and foreigners generally, are the Indians. Bewildered and only half understanding what they see with glazed eyes and vacuous faces, the Indians watch from every railroad station,

lining the platforms, pressing their faces to the car windows, like copper-skinned *Oliver Twists*.

They tell a story in Peru of the American archaeologist, digging in the Inca ruins, who grew restive as the Indians stood there day after day watching his work in silent absorption.

"What do you think as you stand there?" he asked one day in desperation.

"No think," said an Indian. "Just wonder. Wonder whether someday we dig you up."

And the observer wonders, too, as he realizes that the foreigners and the Indians are Peru but that, while the foreigners are a handful and there on sufferance, the Indians are three quarters of the population of 6,000,000—90 per cent, if one lumps the half-breeds with them.

Reviled by the pure-blooded Spaniard as not fit to spit on, the Indian, nevertheless, does the white man's work and fights the white man's wars. The Gildemeisters use him, for instance, to produce sugar cheaper than it is produced anywhere else in the world, paying a meal and thirty cents a day to the thousand who toil under the great clock of Casa Grande with its inscription, "*Tace, Ora et Labora*"—the white man's injunction that the Indian should "keep quiet, pray and work." And the others use him, too, most of them without that free meal, just as Benavides uses him for the army, the navy, and the police force. He is not fit for a place in Peruvian life but he is capable of wearing a uniform and maintaining "law and order."

Until the foreigner began to offer steady employment and better conditions, these Indians were driven like slaves to the cane fields, the cotton lands, the mines, and the great estates. Labor contractors went among them in the mountains, lent them money, got them drunk, and drove them down into the valleys to work off their debts. Still rotten with venereal disease and dying by the thousands from tuberculosis, the Indians procreate, nevertheless, absorb the whites who cohabit with them, and frighten the Benavides regime into a public-works program which extends employment today to some 80,000 who otherwise might rise against the current Lords of Creation.

Occasionally the Indians do rise, as at Cerro de Pasco in 1930 when there was trouble, not through fault of the company, but because Peruvian authorities bungled the situation. Cerro de Pasco immediately closed down the mines and removed all white workers for one month to avoid serious bloodshed. The curious thing is that when the whites returned after a month's absence in which a town of 30,000 had been left to the Indians, they found no houses broken into, no robberies whatsoever. For out of the Inca civilization—where perhaps for the only time in history society was organized without want or greed—much remains hidden away behind the inscrutable faces of these Indians who endure life as it is today by crunching the cocaine out of the ubiquitous coca leaf.

The contrast between the Indians now and then can best be imagined by going to Cuzco—a day's airplane

trip from Lima to Arequipa and then two days by train over a British-run line which winds at 10,000 feet through peaks that thrust up to 22,000 feet. Along the whole of the two days' journey, which takes one by Lake Titicaca—highest navigable lake in the world—there are the ruins of that vast system of irrigated terraces which fed the mightiest of all the Indian empires. Where once all was verdant now the mountain sides are parched, and Indians, limited to the narrow, gully-like valleys, carry dampened clay and mud to shoots of corn that sadly brighten areas as barren and dismally beautiful as I have seen only in certain of the Ethiopian highlands.

Leaving the superior cuisine of the train, I lunched at a barren mountain station with these curious Indians. Their heads were bowed low from the burdens they have carried and contrasted with the llamas all about, which, perhaps because they will shake off any load of more than one hundred pounds, carry their heads in high disdain of mere man. The corn on the cob was delicious and the stew, made of llama meat and mountain herbs, if less tasteful, was sustaining. The women, who sat cross-legged, sold me cloth dolls, reproducing their own dress—straw hats shaped like a man's Panama, a bright blouse, and a full skirt of dark material. Nothing could reproduce the home-beaten felt hats of the men, the vicuña ponchos, and the trousers which always, somehow, are patched rags, seemingly never new.

In Cuzco, where the gold has been stripped from the

palaces these centuries, only the stonework of the Incas remains, the firm and timeless part of churches where already the Spanish superstructures are crumbling away. And at Macchupicchu, three hours down the most magnificent of valleys, turned green by a tumbling torrent which reaches the Amazon and thence the Atlantic, I saw the great ruins discovered by Senator Hiram Bingham. Perched on a peak, which it took me an hour to climb by muleback, a city remains intact—the Temple of the Sun, the rotund hall of the judges, the terraces for the Inca and his court, the terraces for the priests, the terraces for the people, and the fields of the sun god—whose produce went for widows, orphans, halt, and blind. Examining in each the dwelling houses, the shelters for the livestock and equipment, one could re-create the scene of a Communist system where land and labor were divided, and where the principal laws were against idleness and overwork.

In towns like this the Incas ruled over an empire from Ecuador through Peru and Bolivia to Chile and the Argentine, spreading their knowledge of botany, zoology, astronomy, and medicine as well as of building and social laws. They left to absorbed races great freedom within the general system. Their weakness lay, as Samuel Guy Inman emphasizes, in the one-man nature of Inca rule. When Atahualpa, the Inca, was captured by Pizarro, the Indians, accustomed to turn to him alone for authority and initiative, were helpless before a handful of Spanish conquerors. The Indians

brought enough gold as ransom to fill the room where Atahualpa was imprisoned, but Pizarro betrayed the Inca's life. After first threatening to burn him alive, Pizarro strangled the Indian as he embraced Christianity.

The last of the Incas was a symbol of his race and its fate. Just as Cortez and his successors slew 3,000,000 Aztecs, and Montejó decimated the Mayas, so half the fifteen millions of Quechuas and Aymaras who lived under the Inca rule perished before Pizarro and "the conversion of the Indies." What Gómara wrote as the official historian of Cortez could be said of the *conquistadores* everywhere, "The Spaniards killed as many as they conquered."

For the 4,500,000 Indians who remain little can be done, in the opinion even of those who work them on the land or in the army and police force. The attitude of the Peruvians was summed up by a Catholic nun, Sister O'Toole, who has worked devotedly for their spiritual salvation for twenty years.

Some had just gone into a church in Cuzco, their candles held devoutly before them. Others lay drunk in the road, where they had fallen down as they bore a corpse to burial—always an occasion for drunkenness.

"Those in the church will get as drunk shortly as those in the road," said Sister O'Toole with a brogue which twenty years of Spanish could not erase. "There's no doing with them. The best lad to handle them is Benavides—the best ruler this country has had since

Leguiva—but now he is building roads into the Indian parts.”

The good sister shook her head.

“The Indians are dreadful in La Paz, Bolivia,” she said. “You go to market, and while you examine something they say, ‘Well, buy it or leave it.’ You would think they were as good as whites.”

This is what they all think—except the Apristas. As a student, Haya de la Torre began with his fellows to school the Indians. The Apristas think they ought to know about personal hygiene and diet and that as they improve their health they will feel less need for drink and will slowly build self-respect. This is what that wise and good man, Moises Saenz, the Mexican Ambassador to Peru, thinks after what has been done with Mexican Indians.

I don’t know which group is right, but I remember the Indian boy I saw in front of a mud-floored hut at six o’clock one morning when I changed trains outside of Cuzco. He was walking back and forth, reading a heavy book in the early daylight.

“What is he doing?” I asked the local station master.

“Oh, he is reading medicine,” said the railway worker. “He has to study before he goes to his work. When he comes back there is no light to read by, so he has to get up very early.”

It seemed to me that there was a note of pride in the explanation. But perhaps I was wrong. The railway worker was only an Indian, after all.

III

LA PAZ means "peace," and it is doubly curious, therefore, that you have to come to this capital city of Bolivia to see what war means. It reminded me immediately of Sofia. The Bulgarians are such an admirable people, and yet in the poverty of Sofia you see all around you the meaning of war and defeat. La Paz is the same.

Bolivia has just terminated a three-year war with Paraguay, which was fought in the "green hell" of the Chaco. Between Bolivia, Paraguay, Argentina, and Brazil there is a vast 115,000-square-mile jungle region called the Chaco Boreal. Bolivia, from whom foreigners have gradually wrested all seashore, wanted an exit out of the Chaco through a port on the Paraguay River, which leads to the Atlantic.

Now Paraguay is a tiny country by comparison with Bolivia and has nothing like her vast resources. But the Paraguayans are an aggressive and warlike people. From 1865 to 1870 they fought the bloodiest of all South American wars. They fought against Argentina, Uruguay, and Brazil—fought against them alone and fought until of a population of 1,000,000 Paraguayans only 225,000 women and 25,000 men remained alive. There has been no other war like it in history.

And so when Bolivian soldiers, deep in the almost impenetrable Chaco, seized an outpost which they claim was once seized from Bolivia, the Paraguayans did not want to give it up. Out of this incident came a war with only the Chaco the richer. The corpses of a tenth of the male population of the two countries rotted into the soil and quicksand of that fetid region.

The Bolivians were really betrayed into war by foreigners as much as by their own cupidity. In the first place, American and British capital overlent in Bolivia until the whole country was mortgaged, so that with 65 per cent of all revenues pledged to the service of a single loan there seemed no way out short of the gamble of war with the hope of an outlet for Bolivia's vast petroleum riches.

Then General Hans Kundt, the German, along with General Ernst Roehm, who later was to be murdered by Hitler in the famous "purge" of 1934, took charge of the training of Bolivia's army and persuaded the Bolivians of the merit of the German theorem that "might makes right."

American and British arms salesmen created the final deception. They persuaded the Bolivians that the air arm today is decisive, that with modern bombers they could destroy the Paraguayan army quickly and surely. The air arm is not enough, even when employed with such frightful superiority as the Italians and Germans have shown against the Spanish people, and what was to have been a military lark proved a three-year deadlock.

The cost of these three years is obvious as soon as you have recovered enough from the altitude and scenic thrill of La Paz to look around you. La Paz is reached from a train or an airport as high as Mont Blanc. The taxi winds round and round to descend upon the world's highest capital, for La Paz is like a city built at the bottom of the Grand Canyon of the Colorado. The tile roofs unhappily are giving way to corrugated steel, but nothing can change the eternal snows of the great peaks which tower over the barren rim of the Grand Canyon and are seen between modern flour mills, bearing the Turkish-Bolivian name of *Said e Hijos*, and mud Indian huts.

In the streets of this city built entirely on ups and downs, you are struck immediately by the number of women and the absence of men. The 3,000,000 Bolivians are 90 per cent Indian and all the Indian women of the country seem congregated in La Paz, their many skirts of brightest colors and their faces wreathed in good-humored smiles, for unlike the Peruvian the Bolivian Indians are jolly and affable. But you miss the men who went down to the Chaco and, after the high altitudes to which they were accustomed, could not support the tropical lowland.

As you pay the taxi driver, you see the results of war again. The *boliviano*, printed on paper as good as sound currencies, has fallen from an exchange of two for the American dollar to thirty. You think of the depression in Germany after that tutor of Bolivia lost her war. And you discover that the cost of living has risen

200 per cent and that there is neither order nor reason in the land.

Because there is no decent hotel, with conditions like this, you go to Webster's, to be taken in by as delightful a family of Scots as ever offered you scones, whisky and soda, or a good yarn. Webster is a La Paz merchant who trafficked in arms during the Chaco war and has just come out with his partner after eleven months in prison. When you lose a war you look for goats, and Webster was a convenient one. Just as the Bolivians blamed Standard Oil for their defeat, so they charged that Webster and his partner deliberately sold them dud shells and the like, locked the two up, and seized their business—devil take the evidence. Waiting for the matter to iron out (the way things always iron out in South America, if you have patience, can play politics, and understand the judiciary), Webster keeps body and soul together by taking boarders into his home.

Bolivia, though it is the third largest country of South America and rich in natural resources, keeps body and soul together only when there is a market for tin. Some 90 per cent of the country's exports is in minerals and, of the total, 75 per cent is tin. In the pre-war days, before we were a major power, one-dollar wheat was the index of good times; and in Bolivia conditions vary when tin goes above or below £200 sterling the ton.

This year tin has been around £215 and so no one is starving to death in Bolivia, despite the fact that one

would expect a curtailment of production merely because the government, as a war-emergency measure, compelled exporters of minerals to give it roughly two thirds of their receipts in exchange for pesos, which dropped more than 500 per cent in value. Actually, war conditions, the loss of male population, and the Indian's mistrust of the white man who drove him into the Chaco hell have reduced production. The tin pool has scaled down by 15 per cent the quota assigned to Bolivia, because the country has been unable to meet its quota requirements.

These tragic fruits of war and the unstable political situation—I arrived in the midst of an abortive revolution, the first revolution in my career which was not news—make the situation of Bolivia and its future prospects sad indeed. And yet there are three reasons why this country is important to the United States and why there ought to be support for the efforts of Caldwell, the American Minister, to improve our relations.

The first is tin. Except for unimportant mines in Alaska, the United States imports all its vast needs in tin—62 per cent of the world's production—and much of it is Bolivian tin via Liverpool. In time of war Bolivian tin would be vital to the United States; an allied or friendly Bolivia would insure us a source within an area which our merchant ships could reach under naval escort, while a hostile Bolivia would leave us such distant sources as British Malaya, the Netherland Indies, Nigeria, and Siam.

The second is oil—not oil we would need, but oil

which has been unjustly confiscated by the Bolivian government from the Standard Oil Company. The seizure of this American property makes subsequent seizures by the Mexican government seem mild indeed, and the way in which we handle this vital precedent is being watched attentively by every Latin American country where American capital is invested.

The final reason is propaganda, for the efforts of the Germans, Italians, and Japanese in Bolivia are strenuous indeed. Here they are succeeding today and here they are most likely to succeed in the future. They, too, are aware of the importance of tin to us and of oil to them.

2

The President of Bolivia is a youthful blue-eyed boy in his thirties with the un-Spanish name of German Busch. A lieutenant when the Chaco war began, he shot more Paraguayans from behind jungle trees than almost anyone else and came out of the fighting a colonel, a popular hero, and consequently the stuff from which Presidents are made.

German Busch, despite his name and father, does not speak German. The father came out to Bolivia from Germany nearly half a century ago, a mild-mannered physician who, among other accomplishments, worked out an antidote to the poisoned arrows of certain Indian tribes. His modest life is unchanged by such accidents as the elevation of his son.

"More important than Busch," I was told on every hand, "are the men behind him."

Most important of these men—Busch's alter ego, in fact—is Gabriel Gosalvez. Confidential secretary and confidant of most of the recent Presidents of Bolivia, Gosalvez always pulls the strings, has never held the presidency, knows just when a friend is no longer useful to him. He is always at the right hand of Busch, who has promised him the succession. Ask for an ultra-confidential interview with Busch, as a diplomat who wants to know what Bolivia will do in the event of war in Europe, or as a businessman with an important proposition, and you will find that Gosalvez is always by the elbow of the President, who turns to him for a nod or a headshake before answering your questions.

Liverish-complexioned and soured, no doubt, by too-long contact with the Presidents of Bolivia, Gosalvez calls himself a Socialist, hates the foreigner, and is generally credited with leadership in the confiscation of foreign capital. Despite his many enemies, no one is able seriously to charge him with speculations—which makes him almost unique in this type of South American country. His style of living is not beyond his salary, which represents about sixty-five dollars a month, and in his house you find the children's diapers and family washing generally hanging to dry.

His merit lies in recognizing the strengths and weaknesses of young Busch. Called to the presidency with nothing behind him but an army career—and that, meteoric—Busch does not pretend to understand the in-

tricacies of exchange control, credit expansion, and the like. While I was in La Paz the Bolivian government voted itself a simply enormous credit—a “finance measure” with no more practical value than if I should vote myself a millionaire. But if he has to learn the business of administration, Busch comes naturally to the art of governing, has tremendous popularity, and possesses that most indispensable of qualities in the executive—the will to power or, as we say more simply, guts.

In the postwar chaos the many aspirants to power know that young Busch, instead of stepping down because the combinations have gone against him, is more likely to stand on the steps of the presidential palace with a pistol in each hand. And the aspirants are many. The Vice-President, Enrique Val de Bieso, heads up, with the Ministers of Commerce and Labor, a cabinet bloc which does not see eye to eye with the Gosalvez policies. Most important, of course, are the army cliques, and among such personalities must be mentioned General Carlos Quintanilla, the Commander in Chief of the Bolivian army, who has just gone on a visit to Germany and Italy, and General Julio Sanjinez, the ex-Minister to Berlin, who has recently returned full of Nazi ideas, including a scheme for large-scale barter arrangements with Germany.

This, roughly, is the kind of political setup which is bitterly hostile to foreign capital and which the Germans and Italians hope to exploit. It can be understood only in terms of the Chaco war—the reasons which led to the war and the results which have sprung from it.

When Bautisa Saavedra threw out the liberals in 1920 and was succeeded by his henchman, Hernando Siles, in 1926, Bolivia sought to solve its problems by foreign loans and granted vast concessions. When merchants and farmers protested the mortgaging of the country and the heavy taxation required to meet the loans, Siles fell back on the refuge of patriotism and rattled the saber over the Chaco differences with Paraguay and the assignment of Tacna and Arica which were disputed by Bolivia, Chile, and Peru.

For deep in the Bolivian heart is a rankling feeling of injustice because she is one of only two South American countries deprived of seacoast. Bolivar and Sucre, who liberated Bolivia in 1825, tried unsuccessfully to negotiate the sale by Peru of Arica—Bolivia's natural Pacific port. And sun-baked Antofagasta, less natural but a satisfactory port, was wrested away from Bolivia by Chile in the War of the Pacific (1879–84), while Paraguay consistently refused, with the varied backing of Brazil or Argentina, to grant Bolivia an outlet through the Chaco to the Atlantic by the Paraguay and Madeira rivers. This gives Bolivia a feeling of claustrophobia.

Efforts to exploit this failed Siles when the Tacna-Arica dispute was settled in 1929, at a moment when hostilities in the Chaco quieted down. The drop in the price of tin, coinciding with these two lulls in anti-foreign agitation, brought the fall of Siles, who fled the country with General Hans Kundt, his German military mentor. The 1931 elections brought Dr. Daniel

Salamanca to the presidency and Bolivia seemed destined to sound statesmanship. But unhappily the war spirit and the war party were too strong—Siles and Kundt had labored better than they thought—and Salamanca threw aside his pacifism to plunge his country into war.

His government fell when Paraguayans pushed deep into Bolivian territory. Salamanca's successor, José L. Tejada Sorzano, lasted long enough to sign the armistice. Then the army, which had suffered him, took real power, on the pretext of a general strike "organized" by Bolivia's unorganized labor. The dictator, Colonel David Toro, found a goat for the failure of the war aims, for all the dead and for the poverty of Bolivia. The goat was the Standard Oil Company. This American concession, representing 3,500,000 hectares in the lowlands near the Chaco and an investment of \$17,000,000, was seized outright with no warning. Everything was blamed on the Standard Oil. Psychologically the expropriation provided the compensation for the lost war.

This done by Toro for Busch, just as Tejada made the armistice for Toro, the blue-eyed, German-blooded colonel took power. But this is half the problem today of German Busch. He needs confidence abroad and foreign capital. How can he have them unless he comes to terms with Standard Oil? But how can he come to terms with Standard Oil when Toro and men like him are asking nothing better than such a political issue? "He sold out to the foreigner!" they can cry.

This is the vicious trap which holds German Busch. His country is paying the full price of war and of nationalism.

3

On March 13, 1937, a year before Mexico seized American oil properties, the Bolivian government declared the \$17,000,000 investment of the Standard Oil Company in that country forfeited. The only ground for the most high-handed confiscation in history is a flimsy allegation of fraud.

There was little warning. When the revolutionary junta came into power in May, 1936, it set up a state petroleum company to explore oil possibilities. In January of 1937 the junta threw out the Supreme Court and replaced it with a group of hand-picked judges—who presumably knew what their task was to be.

This new Supreme Court acted on March 13, passing without warning a decree which alleged fraud on the ground of clandestine exportations of petroleum by Standard Oil through Argentina and failure to pay increased surface rentals. The oil wells were immediately seized.

These acts were accompanied by a vicious press campaign against Standard. Whereas Huey Long, of Louisiana, charged in the United States Senate that Standard Oil was behind the Chaco war and had led Bolivia into it, the Bolivian press charged that Standard had been against the war, had failed to help Bolivia even

by normal deliveries of gasoline needed for the army, and was, in fact, the reason for Bolivia's failure.

Dr. Carlos Calvo, Standard's lawyer, was forcibly ejected from the country. When the company attempted to answer the press campaign by soliciting the opinion of the country's eight leading lawyers on the merits of the case and publishing them in a pamphlet, these men were vilified and threatened with the fate of traitors. When the company delayed legal action in the hope of a calmer atmosphere, the government issued a decree that appeals against governmental rulings must be made within ninety days, and only after pressure from Washington was this extended.

While Standard has vainly negotiated the matter and the American government has deliberately delayed formal action by agreement with the company, the Bolivian government has reached an understanding with Argentina. That country was "neutral" on the side of Paraguay during the Chaco war and had been responsible previously for preventing the exportation through Argentina of Bolivian oil. The Argentine state oil enterprise is in competition with Standard in Argentina, and it is easy to see how Buenos Aires in the past could not let a Standard company in Bolivia bring in oil, which together with the Standard efforts in Argentina would give the American company a paramount position in competition with the state organization. Bolivian petroleum could have been brought to Buenos Aires more cheaply by Standard than Argen-

tina could bring her own oil from Comodoro Rivadavia. It is also easy to understand how Argentina, now that Bolivian oil is organized under a state enterprise patterned on and fashioned after the Argentina concern, gladly permits its introduction into Argentina, where it strengthens the government against Standard Oil.

Backed tacitly in the confiscation by a country as strong as Argentina, President Busch is not helpless against the United States. He has boasted publicly, in fact, that the United States government would not support Standard Oil for fear of losing Argentina's friendship, which President Roosevelt established at Buenos Aires in 1936. And with this attitude by the Bolivian government, the case rests, while Standard Oil properties are being drained and transported out through Argentina. Is it any wonder, therefore, that while I was in La Paz the Bolivian and Mexican governments decided to raise their legations to the status of embassies, given the "similarity of ideas" between the two countries?

The facts in essential matters are clear. The charge of fraud is based on the fact that more than ten years ago, when Standard Oil companies were working on both sides of the Bolivian-Argentine frontier, the company in Bolivia piped a few hundred barrels of oil across to facilitate work on the other side. The company claims that this was reported at the time and that duty was paid and demands why, if there was any basis for the charge of fraud, Bolivia should have waited ten years.

The company has a clear case legally. Its mistakes have been those of psychology and diplomacy. Bolivians expected to grow rich from the profits of "black gold" when they gave Standard a concession which was extended over some 3,500,000 hectares. Why should Standard have undertaken a \$17,000,000 investment, Bolivians argued, only to have made no adequate diplomatic arrangements with Argentina? How was it conceivable that a company as powerful as Standard Oil should be prevented an exit by Argentina? When Standard began to cap wells, the Bolivians persuaded themselves that their properties were being held as reserves deliberately at a time when the country sorely needed income.

This embittered feeling against foreigners grew inevitably out of as bad a bit of finance as America has ever seen. In 1922 an American banking syndicate extended Bolivia a floating loan of \$33,000,000. Out of the country's total revenues of \$14,943,000 some 65 per cent was required to meet the service charges of this loan. Vickers-Armstrong extended an additional loan of \$9,088,200 for arms purchases from Britain in 1926, at an annual carrying cost of \$1,440,000. On top of this Dillon, Read and Company of New York extended a loan in 1928 of \$23,000,000. Saddled with such interest charges, Bolivians counted on revenues from their vast riches in oil, and they could not understand why Standard, instead of bringing them in wealth, capped wells.

Standard's psychology and diplomacy were question-

able during the Chaco war as well, though for reasons which can be understood. At Geneva, where heroic efforts were made to stop a war which involved American and Argentinian imperialistic rivalries, I heard always that oil was behind the Chaco war—and indeed it was—but by innuendo oil was made to sound synonymous with Standard Oil. I was interested, therefore, to find in Bolivia that all the competent observers—and many of them are no friends of Standard—give the company a clean slate.

What the company did, anyone might do. It smarted under charges that it had launched the Chaco war. It leaned over backward, consequently, to do nothing for Bolivia which would seem to justify charges like those of Long. As a result, the Bolivians charged, and many of them seriously believe, that Standard hurt them and caused them to lose the war. They charge, and some foreigners agree, that Standard did not provide the army with gasoline as freely and efficiently for wartime needs as the country could have served itself had its petroleum resources been in its own hands. And Bolivians feel that they should have had financial influence which oil in their own hands would have given them—does, in fact, give them now with Argentina.

Sound diplomacy is required in face of the resultant mess. Standard's oil has been geared to the Argentine economy. Nothing short of a major war, which would involve both the United States and Argentina, is going to get Standard's wells back. Everyone involved knows this, even if it cannot be admitted. Similarly, Bolivia

must come to terms with Standard and with foreign capital generally if she is to develop her mineral resources without becoming an Italo-German colony. But how can Busch and Gosalvez weather demagogic reaction—partly of their own creation—if they settle with Standard? And how, after having charged fraud, can a Bolivian government get its well-controlled courts system to waive the charge of fraud?

Washington has been patiently waiting for a change of atmosphere—in agreement with Standard, presumably. Standard will sell and write off its Bolivian experience. That is no secret. But Standard cannot so inform the Bolivian government while it is charged with fraud. And the Bolivian government cannot talk turkey with Standard while the matter is *sub judice* in the courts. Soon Washington must intervene and exert real pressure. Too much is involved in this precedent which every country in South America is watching.

4

In one of the principal squares of La Paz there stands the gaunt skeleton in concrete floors and steel girders of an unfinished building. This was to have been the pretentious office and clubhouse of the Italian Fascist organization. But Italian and local Fascist money ran out.

The German ministry, similarly, said that Berlin would give 1,000,000 bolivianos if the local Nazis would raise 2,000,000 for a German "cultural" center. So far

the local Nazis have been able to raise only 20,000 bolivianos and the project has been abandoned for the moment.

The truth is that the older Italians and Germans in South America don't like the new regimes in the old countries. These people have been enterprising enough to come out to a new world, they have a deep sentimental attachment to Italy or Germany, but they don't like the more brutal aspects of the new regimes, their anticapitalistic bent, and all the talk about war.

La Paz is going through what Lima and Arequipa and similar Peruvian towns have already gone through. The old-line Germans and Italians are against Hitler and Mussolini. In Lima and Arequipa the German and Italian clubs, once lively centers, became deserted; rather than take sides politically people gave up the club entirely. And then the Germans and Italians began systematic persecution, causing the arrest at home of the relatives of those who were anti-Nazi or anti-Fascist. And so now a majority of the Germans and Italians in Peru are nominally loyal to the home regime, but what they think in their hearts and what they would do without the compulsion of fear is another matter. But in this moment of transition the Italians and Germans in La Paz are not being shaken down for any money. They need a further period of persecution.

The Italian military mission has come off as badly, moreover, as the gaunt and unfinished Centro de Italia. Eight Italian artillery officers have insisted on the Fascist salute, parade-ground tactics, and copybook les-

sons to a Bolivian army which has just come out of three years of real war. Worse than that, the Italians, boasting of their experience in Ethiopia and Spain, have given instructions which run entirely counter to the lessons which Bolivians have learned in that hard experience in the Chaco. The Italians have forgotten the first of all military maxims—that an army should be trained against the actual terrain and the actual enemy. As a result, Bolivians speak with deep contempt of the Italian officers.

It would be a mistake, however, to conclude from this that the Germans and Italians are making no progress in Bolivia. They are. Their most effective campaign is that of taking over the youth, a campaign organized and conducted exactly like the Italo-German effort I found in Syria, Iraq, Palestine, Egypt, and other countries where they are trying to turn the Arab world to Fascism in opposition to British and French rule.

There are today some sixty-odd Bolivian youths studying aviation in Italy. There are forty Bolivians apprenticed to the Nazi military machine in Germany, and provisions have been made hereafter to take twenty-five Bolivian boys to Germany annually. Even where boys are not selected especially, reductions are made for them. A politically important Bolivian told me, "I would prefer my boy to be educated in England or the United States, but the Germans made it possible for him to go to and from Germany, studying engineering for a year, at roughly \$600."

In addition to taking these boys to Italy and Germany, where attention is paid, of course, to their becoming grounded in Fascist ideology, the Germans now run the best school in La Paz. The American Institute, run by the Methodists, has been the preferred school and has had an enrollment of about 500 boys a year; but it is now feeling the effects of the depression and is giving up many of its facilities. The German school, on the other hand, receives direct subsidies as well as teachers from Germany.

A students' riot developed recently in the German school. The Bolivians resented being compelled to give the Nazi salute and struck. The German position was too strong. Either the Bolivian students were Nazis or they could not go to the school—Nazi or no schooling. Crushed by the Chaco war, the Bolivian government is able to set aside only \$500,000 annually for all education throughout the country. This means that boys who want preparation which would enable them to enter North American or European universities must go to the German school, which now has an enrollment of 300.

Too much significance cannot be given to an annual recruitment of 60 Bolivians in Italy, 40 in Germany, and 300 in the German school. Only 10 per cent of the Bolivian population has any rights or influence. In elections generally 60,000 votes are cast; in the last election there were only 42,000 ballots. In this sort of "public" it is no small thing to make 200 Fascists a year for five years. Their influence is being felt already.

In the past, Bolivians studied and traveled in the United States or England. Two members of the present cabinet were educated in the United States, and this makes a vast difference when we treat with the Bolivian government. In a few years cabinet ministers will be Italian- and German-trained, taught to hate democracy and to work against the United States as a country of Communists and Jews.

The American minister, Mr. Caldwell, is an authority in education, but two things handicap him. The bad exchange, now that the boliviano is devalued, and the high cost of American shipping lines cut travel to a minimum. Secondly, the high standards of American universities make them almost impossible for Bolivians, who are not only badly schooled but studying in a foreign language. Both Italy and Germany waive all scholastic requirements for Bolivian youths. It is enough for Italy and Germany that they should come and that they should go back Fascist-minded.

Caldwell thinks that if American universities are impossible for Bolivian youths they ought to be encouraged to go to American preparatory schools. It seems to me that some American universities might waive standards and let South Americans attend lectures without qualifying for degrees. Caldwell is hopeful, too, that the financial position of the American Institute may be improved because of the useful work it has done.

Efforts to tie Bolivia in with Germany and Italy have not been successful so far. General Julio Sanjinez,

the former Minister to Berlin, has been pushing without success a scheme to sell tin against Aski marks. Mexico has turned to Germany after confiscating American oil, but Bolivia is tied up now with Argentina and is dickering with Brazil. Those imperialistic American powers have the obvious advantage over Germany of being near enough to awe Bolivia with their armies.

But General Carlos Quintanilla is in Germany and Italy this year with a hundred students accompanying him home, and the Fascist elements are growing stronger. They have as good a chance in Bolivia—bankrupt and stricken by war—as they have anywhere in South America. They know that few countries offer such possibilities in mineral exploitation.

This chapter was written before the recent report of Bolivia's concession to Germany of an air base at Trinidad.

IV

NO NATION with whom we have friendly relations is more important to us than Chile—a country utterly unknown in the United States. The importance of this little country is both financial and military.

Our direct investment in Chile of \$483,000,000—the third largest, after our developments in Canada and Cuba—is greater today than our investments in the whole of the Far East.

The total stake, including bonds in default, has reached \$811,000,000, and the Chilean per capita debt—almost entirely to the United States—is the largest per capita debt in the world.

Our military defense is predicated primarily upon the Panama Canal. If that were blocked by a single well-placed bomb, dividing our fleets or affording the enemy a superior concentration, the Strait of Magellan would become overnight the key to American security.

This strait is owned and controlled by Chile, a nation of seafaring folk who built the first navy in South America and who could open or close the strait to the fleets of our enemy. While Chile controls 2500 miles of Pacific seacoast, nitrate, copper, tin, iron ore,

and foodstuffs can be brought to our west coast only if that country is friendly.

The people of the United States ought to know about the Chileans, who after the most valiant recovery program—six successive balanced budgets for the most stricken country in the world—have just ushered in a Popular Front government without bloodshed or disorder.

"This is a country!" Elihu Root exclaimed when, after touring other South American republics thirty years ago, he came at last to Chile.

The American Secretary of State meant that other lands seemed like colonies—millions of Indians and a few thousand whites, a local dictator and the life of the country in the hands of foreign bankers.

Chile is different—a country with its own institutions and its own universities, a nation with a self-respecting public opinion and a people so endowed with personality that North Americans invariably fall under their charm and declare the "Yankees of the South" to be the nicest people in the world.

These things make the visitor forget that Chile has a population of only 4,100,000.

Chile extends from sun-baked Arica, where I flew in across the Peruvian-Bolivian frontier; down the desolate, rainless pampas, burned dry of everything but nitrate and copper and iron ore; through the cypress-fenced *fundos*, or vast farms, which make the rich central agricultural region a riviera in the pastels of eter-

nal spring; down through the chain of lakes and the land of Magellan, where it rains eleven months out of twelve—to Cape Horn. This is a country 2600 miles long—almost as long as the shipping lane from New York to Cherbourg. But there is nothing more than a narrow ribbon, from 8 to 222 miles wide, between the Pacific Ocean and the never-ending range of the Andes, which rear 300 peaks in Chile higher than any mountain in the continental United States—when I flew around Chile's Aconcagua, my airplane was tilting with such a peak as no one has ever seen in North America.

Chile's population is small but its quality is unusual. In the first place, the Araucanians of Chile are the only Indians the white man has never conquered. Having subdued the Quechuas and Aymaras of Peru and Bolivia, Pizarro sent his *conquistadores* southward only to have Almagro driven back in 1535. Five years later Pedro de Valdivia pushed in and founded Santiago, but before he had done with them the Araucanians had bested this valiant captain. "Is it gold and silver you seek?" mocked the Araucanians, and they poured those molten metals down the throat of Pedro de Valdivia. With such stalwarts Spain was compelled to negotiate a truce, recognizing the Bío-Bío River as the boundary between the two races until, with the coming of the republic, the Indians voluntarily entered the new state.

A country with such aborigines is no Eldorado to be

parceled out to court favorites and, unlike other regions in the "Indies," Chile attracted younger sons, with more enterprise than prospects, and sturdier emigrants—Jews from Andalucía and Basques from the Pyrenees. To farmlands which called for diligent labor came Germans—not the "totalitarianized" agents who plague Chile today, but Germans who cared enough for political and religious liberty to emigrate. And to 2500 miles of seacoast, which needs sailing, came Scots and Irishmen and the English—until today there are 200,000 Chileans of British descent.

Mix the Basque with the Scot and the Jew and the German, the Spaniard with the Englishman and the Irishman, and you have a virile race; but build them on a foundation of Araucanian Indian, and you have a nation to disprove forever Hitler's nonsense about racial purity. For if the charm of the Chilean who has come out of this melting pot—his charm, his decency, and his self-respect—beguile you, it is well to remember that he is a sharp trader and a tough "hombre"—sharp and tough, he will tell you—with such as, however, may be the merits of these things which are sharp and tough with him.

On the coat of arms of the country you find a disconcerting motto—"Por la Razón o Por la Fuerza." This means in free translation, "By the rule of law, if possible, but by force, if necessary." And though no country in South America can show "such a decent record throughout its history," as Chilean friends boasted to me, it is well to remember that Chile got

her nitrate and copper by force, taking them from Peru and Bolivia. But Chile was provoked, the Chileans add, by the contemptuous attitude Peru and Bolivia took toward a smaller and seemingly weaker country, and also by the fact that they seized a Chilean company in Bolivia very much as certain Latin American countries have recently seized North American property. Whatever may be the merits of these things which belong to the history of a Pacific war fought half a century ago, one thing is clear: Chile is a good neighbor but no country to be imposed upon.

There is a saying in the land about the generations of the Chilean which is truth itself. "First, a soldier of fortune, then a trader, and finally a gentleman," say the Chileans. This strikes the foreigner as very apposite when he sits with the gentlemen of Chile in the cathedral-like bar of the Union Club—one of the few great and exclusive clubs in the world. This strikes him, as do also the names of Chileans. With Basque names like Echenique, Errázuriz, Ochagavia, and Larraín there is no surprise. But the first dictator and hero was an O'Higgins, and the streets which are not named after him are called Mackenna; the most important of the country's retiring ambassadors is an Edwards, which, with Lyon, is one of the great family names; the ablest of Chile's diplomatists and civil servants is Benjamin Cohen, while for information about the left wing in politics you must go to a gentleman with the unlikely name of Colonel Marmaduke Grove.

With a population like this, Chile has done things

out of all proportion to its size. After I saw the modern buildings of the university scattered throughout Santiago and caught something of the American regard for freedom which characterizes the country, I was not surprised to learn that 20 per cent of the university's enrollment is foreign—not only the intellectual refuge of all Latin America but probably the highest percentage of foreigners attracted to any university in the world.

And I was surprised to learn that Chile alone of the South American countries has had large investments abroad—\$80,000,000 in Bolivia alone—and that she has sent military and educational missions and financial advisers to Costa Rica, Ecuador, Colombia, Venezuela, Paraguay, and the like, while such countries as Mexico have submarine officers in Chile today for special training.

And only in Chile could I read *El Mercurio*, the leading Santiago newspaper, which is now one hundred and eleven years old and very sprightly and well written indeed.

Decidedly, Chile is a country! And with its new Popular Front government it occupies a place of significance for all the New World. Is it going to follow Mexico and Bolivia in the confiscation of American property? Is it going to show its Latin American sisters the way to political and social reform? Is it going to be the first Spain on this continent to afford a bloody field of battle to Fascism and Communism?

2

Until the World War period Chile enjoyed a monopoly of nitrate. This salt, which is used for fertilizer and explosives, brought her about \$25,000,000 a year in revenue and regularly bore some 68 per cent of the costs of government.

The nitrate which the British developed and the Guggenheims took over, together with copper exhibited by Guggenheim, Braden, and Anaconda and iron ore mined by Bethlehem Steel, made Chile one of the great sources of the world's wealth.

Beautiful rolling farmland was held by several hundred families, who controlled the vast *fundos* and every aspect of Chilean life. Sixty per cent of the arable land is still owned by less than 600 families. While the Chileans who mattered lived regularly in Europe and American interests clipped coupons in New York, the population of Chile had neither land nor mines.

The Chilean in the street was described in the newspapers as the *roto*, or ragged one, and the description was no caricature. I have strolled out of the Union Club with tall, ruddy aristocrats to behold the man in the streets around the Moneda—that fine example of Spanish architecture—and he is worse than ragged; he is six inches under normal stature, deformed with rickets and dead-eyed from never having had enough food in his life. With a death rate of 25 per 1000 as against 18 in Russia or 11 in the United States, the

roto is a desperate type. Where tuberculosis alone strikes down a third of the population, life is cheap, and when drunk the *roto* ask nothing better than a knife fight to the death. They carry the *carvo*, or long curve-bladed knife, and to stand toe to toe and slash is sport.

Yet it is this *roto* who has brought a left government to power in Chile today. A Popular Front of radicals, Socialists, Communists and lesser left and center parties has won the elections. They have promised the *roto* that they will redistribute the wealth of Chile. They did not do it purposely, like demagogues in Europe, but they have lied to the *roto*. There is no wealth to redistribute.

A country of minerals is poor by definition. Few states in the United States can boast the mineral resources of Montana or Nevada, but for rich states you go not there but to New York and Illinois and Pennsylvania. Minerals are something to be exploited and the exploitation is invariably by outsiders. Chile is no exception to this rule.

Chile's 100 per cent monopoly in nitrate had already disappeared by the commencement of the World War. Synthetic production had reduced Chile's percentage of the world market to 55 per cent by 1913. Chile's position was steady through the war, but in 1919 German synthetic nitrogen cut Chile's share down to a third and hammered her steadily until the figure had fallen to one quarter of the world's needs by 1927.

The fool's paradise was exploded. Just as Peru lost

its guano, Brazil its rubber, and Mexico its oil, so Chile lost nitrate as an all-sufficient bonanza. In 1934 Chile did not even list nitrate in the budget as a probable source of income. What this loss has meant in human misery and how the Chileans have weathered a depression more bitter than almost anyone else's is a story both tragic and thrilling.

For the past six years Chile has been governed by Don Arturo Alessandri Palma, "the lion of Tarapaca," and to him and his finance minister, Don Gustavo Ross Santa María, belongs credit which cannot be destroyed even by the convulsive defeat which they sustained before the Popular Front. Before they lost power, they proved the heroism of the Chilean nation.

In 1932 Chile lost 85 per cent of her foreign trade—this is an economy which depends almost entirely upon foreign trade. With one sixth of the population unemployed and thousands literally starving to death there was no social upheaval. The country tried to supply itself with necessities which had always been imported, and sugar, rice, and the like were rationed. In one year only ten motorcars were brought in as the Chilean peso fell to forty-five to the dollar. Alessandri and Ross slowly built back the economic substance of the country. They brought the peso back to about twenty-five for the dollar and retired nearly 25 per cent of the outstanding dollar debt—the largest per capita indebtedness of any country in the world. In conditions like this they balanced the budget for six successive years.

But they failed politically because they did not keep pace with the popular clamor for social reform. American business interests supported Ross, the conservative candidate, financially and otherwise, because, as one of them said cynically, "we could pronounce his name." Until his recent trip to the United States, Ross, more European than Chilean, had been anti-American. And he was an economic nationalist who used against American companies and American bondholders the same tricks employed by Hjalmar Schacht, who served Germany as a wizard of financial skulduggery. Actually Ross as President would have made American interests pay through the nose as much as the Popular Front does.

For whoever runs Chile, a stock-market manipulator like Ross or the Popular Front, there are certain problems to be faced. One of these is the low standard of living and of health among the *rotos*, which puts limitations upon productive capacity. Curiously, the impetus toward social reform came from Alessandri, who, though he has just ended his second presidency as a conservative, was first elected in 1920 as a radical. Accepted as the least evil of the liberals, Alessandri when he came to power in 1920 brought the peaceful revolution which first cracked the absolute power of the landowning aristocrats—a development comparable to Andrew Jackson's presidency. He appointed ministers of labor and public health, introduced factory inspection, labor legislation, and temperance, so that the *roto* was no longer a thing apart. Reaction set in and

Alessandri in the midst of his reforms was swept out by General Carlos Ibáñez, a conservative military leader who has since swung toward the left just as Alessandri in his later career veered toward the right.

Out of the presidency of Ibáñez has come the second problem which must be faced by any Chilean government today. Like Leguiva in Peru, Ibáñez dreamed of improving and industrializing Chile with foreign loans. Borrowing literally hundreds of millions of dollars, he pushed the American stake in Chile up to \$811,000,000. Whoever rules Chile today, consequently, must wrestle with a vast indebtedness even at the moment he produces something for the *roto*. Interest on \$600,000,000 would be \$30,000,000 a year at 5 per cent; if this indebtedness were amortized Chile ought to pay the United States, with American nitrate left out of the accounting run, about \$43,000,000 a year, and of this sum she needs at least \$25,000,000 in American currency to finance a normal year's purchase of American goods.

In depression times Chile cannot meet her indebtedness to the United States while her nitrate, copper, and iron resources are in American hands, while we buy only 22 per cent of her exports, and while her capacity to increase her own production is not enlarged. And she can scarcely increase production, with the physical well-being of the *roto* so low, until she has brought great social reforms. It is a vicious circle which would dismay almost any people but the Chileans.

3

For a long time to come Christmas, 1938, will mean to the Chilean *roto*, or ragged one, the season when the Popular Front won the elections and brought a poor man's government to Chile. And the rich, too, will remember it. The leader of the radical party and of the Popular Front, Don Pedro Aguirre Cerda, is not a poor man. He is a millionaire landowner, and when I talked with him I found him a mild little man, no more radical than Herriot or Daladier who head the Radical-Socialists of France.

But within his coalition there are not only the radicals, supported tacitly by the center following of General Carlos Ibáñez, but also the Socialists with their cantankerous woman mayor of Santiago and the Communists with their mutineer mayor of the naval port of Valparaiso, and the Nacistas—left-wing anti-German Nazis—with their record already spoiled by bloodshed.

Mild and steady as he is, Aguirre finds himself under constant pressure from Marxists like Colonel Marmaduke Grove, a wild opportunist, and the *rotos* find governmental spokesmen who promise them all sorts of things which Aguirre would not promise because Aguirre is an honest man and sensible.

This pressure and these unfulfillable promises bring delight, of course, to the Rightists who failed to elect Ross, the American businessman's favored candidate—a bald, beady-eyed stock manipulator whose face is prison-gray and whom the Chileans respect but do not

like. "Ross is not simpático," they say, and in Chile as in other South American countries it is important to be likable.

Faced with a Popular Front, the Rightists have started a strike of capital on top of a flight from the currency in which about \$3,000,000 was sent out of Chile by the rich who are superpatriots except where their pocketbooks are involved. They whisper about all the blunders Aguirre has made—real and imaginary—and each month they say again that he can stay in power only one more month.

Now the worst of Aguirre's blunders was placing a Communist mutineer in charge of the port of Valparaíso. The navy ought not to be offended at a moment when a Popular Front government needs its continued support against a possible coup d'état. And it may have been a blunder to have dismissed certain army, air, and police generals, though the President has advantages in the game of espionage and presumably knew his men.

But it is no blunder—as the Rightists gleefully charge—to have reduced the price of bread and meat and such things, with the resultant dislocations. When the government reduced the price of bread from 2.20 pesos to 1.70 by decree, an uproar was stirred among certain farmers, millers, bakers, and credit men.

"You see," whispered the Rightists. "We all admit that something must be done for the poor or they will be at our throats, but you can't do anything with a popular government. They just run a piece of paper

into a typewriter, beat out several lines, and—presto! —the price of bread is brought down.”

This Rightist whispering campaign was malicious and unfair. To reduce the price of bread the government compensated the farmers by purchasing 500,000 quintals of wheat and stabilizing the price and by extending them interest-free loans for fertilizers. They helped the millers and the credit men by reducing freights for wheat 50 per cent on the railways, which the government, incidentally, owns and runs better than any other railways in South America are run.

In the same way the government reduced the price of certain meats 40 per cent, made available to workers who had never tasted milk before 12,000 liters a day at 80 centavos the liter, and instructed the government-owned pawnshops to return to the poor some 9,000,000 pesos of tools and clothing they had pawned. Some 6000 sewing machines had been pawned and were returned. The maid in my hotel who got her sewing machine back and works it in her spare time in the hope of educating her son does not think Aguirre has made any blunders. “Don Pedro is a muy buen hombre,” she says.

If these were drains on the public treasury, Don Pedro, as the newly elected President, asked the public for contributions at Christmas time to buy toys for the poor. He distributed them to some 200,000 children, many of whom had never had Christmas toys before, even though in South America parents are pathetically devoted to their children. Many little Chile-

ans, of course, have no parents. Twenty-eight out of every hundred children are illegitimate. The parents are too poor, in the first place, to pay the priest even the small sum he asks to marry them and, in the second place, where economic conditions are so bad the women have found that they have more hold on a man if they do not marry him.

This sort of activity by Don Pedro has made the masses feel that they have a poor man's government at last. Aguirre has tremendously difficult problems and he is as likely to fail as not. But I think the glee of the Rightists is wrong. I think there is tremendous and increasing support for the Popular Front. I thought so even before the subsequent by-elections in January, which the Rightists believed would show a reaction, brought the Popular Front candidates 70 per cent of the ballots.

To analyze the political situation in Chile and forecast that country's future two things must be clearly understood about the election. The first thing is the fact that the masses became aroused and took the vote. It has been possible in the past to bribe the *roto*. He would sell his vote. Only when he was aroused would he vote by conviction. There is no doubt whatever that vast sums of money were spent to elect Ross. There is no doubt, moreover, that American business interests contributed lavishly to his war chest. In the past the money has done the trick, especially since the *roto* knows that the same crop of candidates appear over and over again, some coming into power, some going

out, some swinging more to the left or right, some reversing themselves entirely, but the thirty men who run a government coming invariably out of the one hundred of every political gradation who are the professional politicians of Chile. But in the election of the Popular Front the money could not buy the *roto's* vote. He took the money but he voted for his own candidates. And many observers believe that it will not be possible again for many years to buy an election.

Equally important is the fact that this election was decided by a freak political development which for a number of reasons makes the arrival of the Popular Front to power and perhaps its very tenure of office depend on a single man. This man is General Carlos Ibáñez, the former President, who was running against Ross and Aguirre. On September 5 the Nacistas attempted a coup d'état. In circumstances remarkably like those I observed in the Vienna putsch when Dollfuss was killed, the coup failed. But some hundred Nacistas, after having surrendered, were brutally massacred by the carabineros. Chileans, who have the finest record of any Latin American people, were outraged both by the coup and the massacre. General Ibáñez, though later he was cleared, was implicated by President Alessandri, who favored the candidacy of Ross. As the election day neared, Ibáñez was in prison. He instructed his following to vote for Aguirre. The Popular Front won by the narrow margin of 2000 votes. Ibáñez thought that he held the balance of power. He still thinks so.

4

Chileans are orderly and peace-loving, and the people of Santiago were incredulous, therefore, when on September 5, 1938, the sound of cannonading and rifle fire was heard throughout the streets of the capital city. Guns roared around the university and there was brisk fighting in the Casa de Seguro Obligatorio—the skyscraper building of the compulsory-insurance organization—which towers over the Moneda, or presidential palace.

The outraged but curious citizenry peered from doorways and window ledges, crying, "What has happened?" as bullets screeched and splattered against the stone fronts of Santiago and field guns roared and leaped on the pavements before the Moneda. What had happened they were soon to learn and not soon to forget.

At noon armed men, or rather boys, for they were in their teens and early twenties, attempted a coup d'état. One group seized the university buildings, which commanded the line along which the military garrison would come if the army proved loyal to the government; another tried to blow up the transformers in the power station; a third entered the insurance building, after shooting down a carabinero on the steps. There they barricaded themselves.

These boys proved to be members of the Nacista. Starting as a right-wing party inspired by National Socialism, the Nacistas slowly moved toward the left

and declared themselves hostile to Germany. As election neared, they were opposed both to Ross, the conservative, and to Aguirre, the Popular Front candidate. They announced for General Ibáñez, who was trying to win votes from both the right and the left on his past record as President, his sympathy for the down-trodden, and the notion that as a strong man he would rule as a sort of Chilean Mussolini.

The leader of the Nacistas was and is a Chilean youth named Jorge Gonzalez von Marees. He is a good-looking boy, the way Count Galeazzo Ciano is good-looking, and his manner is both assured and affable. I asked him how an organization that started in sympathy with the German Nazis could change its name to the "Democratic Alliance" and make common cause with the Socialists. Mr. von Marees gave answers which made me feel that he is an opportunist. When we talked about American and other foreign capital in Chile, he was spirited and revealed himself at his best where his prejudices are involved.

Von Maree's Nacistas struck at noon but by 2 P.M. any hope of the army or carabineros siding with them was gone. After an hour's brisk skirmish the government forces had retaken the university buildings and were assaulting the insurance building, where the Nacistas were driven to the upper stories. And then came an unexpected development which was to give a new twist and a new meaning to September 5.

Out of the university buildings the carabineros took thirty prisoners. They marched them through the

streets, hands in the air, to the insurance building. There they were used as a shield, the carabineros entering the building behind them. After the Nacistas capitulated with a show of white flags, the carabineros massacred their prisoners. The boys were shot down, bayoneted, and sabered. There were ninety-three dead, and three, by playing dead, were able to escape with wounds. In the whole of the fighting the carabineros lost one dead—the carabinero shot down on the steps of the insurance building—and ten wounded. The scenes were such as the people of Santiago will not soon forget—the bayoneted bodies of boys, many of them with their hands over their heads, rigid in death.

Had these misled youngsters gone before a military tribunal, few could have protested a capital sentence. They were guilty of treason and armed revolt. But when they were massacred in cold blood after their surrender, public opinion in Chile was outraged. The army hastened to announce that it had not taken over until 6 P.M., long after the massacre, and disassociated itself from the brutality of the carabineros. The Minister of the Interior resigned, and President Alessandri found himself in grave difficulties. Von Marees was arrested and with him General Ibáñez, to whom the Nacistas had thrown their political support. Public feeling against them was mitigated by indignation against the armed forces of the state.

General Ibáñez was subsequently exonerated. As election day neared, Ibáñez threw his political forces

to Aguirre and the Popular Front against President Alessandri and his candidate, Ross. They were probably decisive, since the Popular Front won by only 2000 votes.

In the confusion, when the right thought to contest the narrow electoral victory of the left, Ibáñez was approached by many groups. They wanted him to seize power—Rightists of several shades, many from the center, and naturally his own political aides, who after being out of power for eight years wanted the spoils of office. Ibáñez rejected any suggestion that might lead to bloodshed, the suspension of the constitution, and the rejection of what was clearly the people's electoral mandate to Aguirre. He personally had built up the carabineros to 30,000—the strength of the army in which, moreover, he had been a general—but Ibáñez slipped away to Buenos Aires. This is exactly what he did eight years ago. When he was driven from the presidency, then, many friends asked for a military coup, but Ibáñez preferred exile.

Will he decline a third time to take power by force? He is back in Santiago. Aguirre may not be able to hold together and discipline the varied groups which compose the Popular Front. The Rightists are sabotaging the government in every way. Ibáñez holds the balance of power and appears to many to be the man behind the Popular Front. Aguirre has offered him the highest honors in Chile for his open support, but Ibáñez has declined the presidency of the central bank, of the electric company, and of the Nitrate and Iodine

Sales Corporation, apparently keeping himself available for political power. Many of the friends of Ibáñez said to me, "Mussolini did not remove the king. Why shouldn't Ibáñez leave Aguirre in as President but take over the government and run Chile as the country's strong man?" I went directly to Ibáñez.

"Everything depends on President Aguirre," he said. "The future is in his hands."

To the question all South America is asking as it watches the continent's first Popular Front, this is what General Ibáñez had to say.

I took it to be a clear warning that the general is holding himself available to take power, that he is building his political fences, and that he will act if President Aguirre fails. To serve the interests of the Chilean masses is not to fail. After talking with Ibáñez I believed those who said that he was a friend to the "pueblo," or people, and that he is not likely soon to forgive those of the right who have misused him as they have misused Chile.

That he is a strong man—a strong and impressive personality—there is no doubt. His utterly bourgeois home was cluttered up with the marble statues and objets d'art of any French general at the turn of the century. But his mind is not old-fashioned and his personality is kindly and forceful. He sees Chile's problems today very much as Aguirre sees them—increasing production and bringing prosperity by making the *roto* a healthy, educated part of the community.

I asked him if Chile might not be led into a civil

war like that in Spain if any coup were made against the Popular Front.

"The situation is utterly different," he said. "The armed forces of this country are loyal to the state and the constitution, the Catholic clergy here is educated and intelligent, and Chileans are too patriotic to sell out their country to foreigners."

This is the "strong man" of Chile. I think he is right. If the Popular Front fails to govern, I do not think that the Germans and Italians will find it fruitful soil—despite their efforts. Certainly Ibáñez is no Franco, and for that both Chile and the United States may be grateful.

5

"The Popular Front is not against American capital. We need it. We want to work with it. We have shown a spirit of cooperation."

Don Pedro Aguirre Cerda, the President of Chile, gave me this assurance in a manner which was both categoric and convincing. The leader of the first Popular Front to come to power in South America is himself a millionaire landowner, and though he spoke for the *roto*, or ragged one, he was receiving me in the sumptuous summer palace at Viña del Mar, that most beautiful of seaside resorts.

"Mr. Roosevelt said some time ago," continued the little Chilean—a soft-voiced man of considerable charm—"that your North American capital has not always

behaved well in these countries of ours and that the time has passed when behind the dollar stand the warship and the cannon."

The trace of a smile played around the sharp little eyes and over the countenance of the second President in the history of Chile who has Indian blood. He had emphasized the words "behaved well," and I remembered suddenly that the majority of the American interests in Chile had contributed sizable if unsuccessful funds to buy the election for Aguirre's opponent. Before I could risk an indiscreet question, the President was laughing merrily.

"I am against a certain type of foreign capital," he continued abruptly. "I am against foreign merchants and banks and companies that take the place of Chilean enterprise and contribute nothing to the country. I think we ought to do those things for ourselves while we need so badly to increase production and improve our exchange position. But I am not against foreign interests that develop mines, help us exploit our riches, and develop and train our artisans and workers. It is largely in these productive and helpful undertakings that your American capital is invested."

I wanted to raise a question in connection with this. But we were speaking Spanish until the President charitably decided that his French was as good as my Spanish, and before I could intervene he was off again on the program of the Popular Front.

"My program calls for education, health, training, and fair play for the *roto*, far-reaching measures to in-

crease production and reforms which, for want of a better term, I will call democracy. By education I mean practical education, not only teaching the poor to read and write but also how to work and become skilled artisans, and how to live—even how to eat. Napoleon said that there was a marshal's baton in the knapsack of each of his soldiers—I want something of the sort for every Chilean. I don't want to give the *roto* food or money—I want to give him what you call in North America, 'a chance.' My essential problem is to make the *roto* healthy, for until he is healthy the country can never be healthy.

"We must increase production. I have got to try to raise wages without raising prices and I have got to stimulate production. I want to develop hydroelectric plants. I will make most attractive offers to capitalists who will start hydroelectric developments and gamble with me on maximum rates for public distribution, with real profits to them on industries we will locate for power consumption. We must establish many types of manufacturing industries. We are going to modernize and improve agriculture by introducing machinery. We are developing the fishing industry. I have plans for extensive colonization in the south. I have a public-works program and important schemes for housing workers."

The many possibilities of a real program of improvements—not merely production enforced spasmodically from above—occurred to me as the President, talking with quiet enthusiasm, recited steps in his program.

I had seen a *fundo* where 6000 acres in wheat were cut and harvested entirely with hand scythes by an owner who says that his *rotos* are not so intelligent as his horses and cattle and who wants to keep them that way and fears farm machinery. I had fished in the almost unexploited waters of the Humboldt Current, catching in two hours twenty such tuna as have never been seen or eaten in North America. And I had seen slums into which no human being ought to be born.

"They want my housing program for workers to be built away from the cities and towns," Aguirre continued. "I am against that. I want the workers to have their houses in the community, enjoying the same newspapers and moving pictures, the same water and heating and light. I don't want the workers to be a class apart, treated as, and thinking of themselves as, something apart. I want them integrated into the community as citizens of Chile. Integrate and unite the classes and you can avoid class struggle. That is the American way. I am going to direct the flow of Chilean necessities into legalized channels or they will sweep everything away."

I asked the President how he would be able to finance social reforms and give a governmental stimulus to production when Chile is hard-pressed financially and short of foreign exchange. I asked if it would be necessary to take over the funds from the Chilean Nitrate and Iodine Sales Corporation. Gustavo Ross, as Alessandri's finance minister, took nitrate returns out of the budget and earmarked them for foreign debt. It

was with these funds that Chile serviced debts and that Ross bought in at greatly devalued prices almost a quarter of Chile's American and other bonds, much as Schacht bought in depreciated German bonds.

"I don't want to touch these funds," said the President. "I want them to be used against the debt. Certainly at the present moment they will not be touched. But that is not a promise. If in the future there is no other way to finance the costs of government—if we must choose between the foreign debt and sanitation, education and building—why, then, I say, 'Chile must live.' That comes first. Even a country as rich as your own decided, when it had to choose, that it was better to devalue the dollar. If we are compelled to do that—and I will only do it reluctantly—then in the end it will be better for the creditors than the utter collapse of Chile."

This was the question I wanted to put to the President in connection with his attitude toward foreign capital. That attitude will depend in no small part, of course, on the attitude taken by the United States toward Chile. Aguirre was categorical and convincing in his assurances that he does not intend to take over American enterprises and that he hopes to pay American bondholders. But his position will depend in the future on trade with the United States.

I suggested that many observers were calling him "the Roosevelt of Chile." He was plainly pleased with the comparison. "Keeping a sense of proportions, as we say in Spanish, I like to think of myself as doing for

Chile many of the things which Mr. Roosevelt has been able to do for your own country during its depression."

After his assurances of very real friendship of Chile for the United States I asked if the President was alarmed by the activities of the Germans, Italians, and Japanese.

"They are developing an aggressive younger generation and that is a real danger. But that is a danger for the future, I hope. And who knows what mutations time will bring? Who knows?

"Quien sabe?" concluded the leader of South America's first Popular Front.

6

Mexico's seizure of American oil and other properties is being watched carefully by every country in Latin America. Will the Mexicans and the Bolivians get away with it? When the Mexicans seized our oil concessions and looked around for a market, they found the Germans—those arch foes of Communism—ready to take it; when the Bolivians seized Standard Oil's wells, they had the Argentine government—enamored of Fascism—ready to help them out. Just as I found in Peru that German agents were whispering to Peruvians that they ought to "kick the Yankees out," so it seems that where they have been kicked out already the Fascists and not the Communists have been ready to help.

Nevertheless, the coming into power of a Popular

Front in Chile has frightened business interests, lest "the Communists" should confiscate their properties. Viewed superficially, there is reason for concern. Single-paged "newspapers" published by the extremist fringes of the Popular Front carry headlines which read, "Nitrate and Copper Companies Conspire against the Government," and agitate editorially for a program of "Chile for the Chileans." And yet I doubt very much that the Popular Front government of President Aguirre Cerda, despite its lunatic fringe, is the enemy of American capitalism.

Chilean nationalism is a fact—and an inevitable fact. Nitrate and electric power in Chile—American investments—were already virtually nationalized by President Alessandri and his finance minister, Gustavo Ross, the favorites of American business. And during the Lima conference the Chilean delegation urged a resolution—killed, incidentally, by the Mexicans—to deny Washington the right of diplomatic intervention on behalf of American business interests in South America. But this has long been the Chilean thesis, and the delegation was appointed not by the Popular Front but by Alessandri and Ross.

This nationalism is understandable. Worse hit by depression than almost any other country, too short of foreign exchange to import vital necessities, and yet compelled to carry out far-reaching social reform or face collapse, Chile finds much of its wealth in foreign hands. Copper is 95 per cent American- and 5 per cent French controlled. Nitrate, owned outright by Ameri-

can and smaller British interests, has not been virtually nationalized, and Chile retains 25 per cent of the gross profits. Coal, gold, silver, and sulphur are Chilean. Agriculture, which accounts for 37.8 per cent of the gainfully employed and an investment of 6,666,906,754 pesos, is Chilean except for extensive British sheep farming toward Cape Horn. Chilean banks have 75 per cent of the country's deposits with only 70.6 per cent of the banking capital, and the government owns 75 per cent of the country's railways. In public utilities American and Foreign Power Corporation controls 85 per cent of power, and Americans control the telephones but not the telegraphs or gas. Ford, R.C.A. Victor, United Shoe Machinery, and other American companies have factories, but Chileans control roughly 75 per cent of industry. In commerce the British, Americans, and Germans still reign.

It will be readily seen that foreigners control in no small degree those things which are productive of foreign exchange. The nitrate and copper profits go to New York, and the companies bring back to Chile only such exchange as they need for pay rolls, foodstuffs, taxes, and the like. The Chilean government gives them pesos against dollars at an arbitrary rate. Dollars are converted at nineteen pesos, and the government sells them to the amortization bank at twenty-five to the dollar. Nitrate accounts for 55 per cent and copper for 35 per cent of all the foreign exchange which comes to Chile, but instead of being available for purchases of vital imports and the stimulation of Chilean indus-

try all of this should, and most of it does, go to the ghastly debt which Chile owes the United States. It is the largest per capita debt in the world, a debt largely urged upon Chile by American banks back in the days when South America was viewed as an Eldorado and South Americans were told that to be a second United States all they needed were loans, railways, and other "improvements." But a railway is one thing in the United States, where the internal traffic is so great that movements of goods involved in international commerce are negligible, and quite another thing in South American countries, where almost nothing is moved except for export-import trade. Too many of the loans to Chile, as in South America generally, were made on a false notion of "productive" investment instead of on a realization that stimulation of export possibilities is the primary yardstick of ability to pay. The result has been disastrous both to Chileans and to American bondholders.

Facing external debts and internal problems, Chileans feel, consequently, that they ought to share to a greater extent in the profits of American companies. This was the view of Ross as well as of the Popular Front, and as one of the most important of the American capitalists said to me, "We were in to lose a pound of flesh either way—only with Ross we could get a surgical operation, while the Popular Front may use a meat cleaver."

President Aguirre told me that he was not the enemy of American business and that he was not going to

use the meat cleaver. There are two excellent reasons why I believe him, in addition to the fact that he is both honest and sensible.

Chilean nitrate is already taking heavy taxation. Increased taxation would weaken its bargaining position in the international cartel, which, moreover, could discriminate against Chilean nitrate if it were seized outright by the Chilean government. The only countries which could encourage a Chilean government to such steps, with the argument that they could take the exports, are Germany, Italy, and Japan—to whose ideology the Popular Front government is nominally opposed. The German government shut down part of its production to buy Chilean nitrate as a trade favor to woo Alessandri and Ross—a favor which facilitated sales to Chile and enabled Germany in 1936 to surpass the United States. But Germany takes only about 150,000 tons a year, which is 7 or 8 per cent of her own production of 2,000,000 tons.

The situation in copper is analogous. Chile has available more than half as much copper as has been used in the history of the world. Credible estimates give Chile 35,498,500 tons of copper as against 22,395,400 in Rhodesia, 20,992,700 in the United States, 10,851,000 in Russia, and 6,620,200 tons in Canada. But production costs, not available resources, matter today. For 1939 the Rhodesian quota for copper is larger than that of Chile. The reason and the danger are equally plain. Just as copper interests went to Chile in part because the American worker must be paid five dollars

a day, so they may leave the Chilean to go to Rhodesia where blacks, handed a wheelbarrow, are just as likely to carry it off on their heads. Actual production costs are not easily available, but I have heard them estimated at eleven cents a pound in the United States, five cents in Chile, and two and a half cents in Rhodesia. However this may be, the Chilean government can see the danger of killing the goose that lays the golden egg.

The second reason, as Aguirre said himself, is that American mining companies are helping the development of Chile. On the side of financial operations it is impossible to defend much that American interests have done, but their contribution to Chile and to the evolution of the Chilean workingman is commendable in the extreme.

7

Much of the antagonism to American capital in Chile comes out of the story of COSACH, the "rationalization" of the Chilean nitrate industry into the biggest corporation ever formed in South America. In 1930 some forty nitrate concerns were unified in two Guggenheim plants, with the idea of meeting by large-scale production the cheaper costs of synthetic nitrogen.

This gigantic organization required annual exports of at least 2,500,000 tons at \$40 or better a ton. But in its first year COSACH exported only 1,500,000 tons at \$32, and in its second year the figures fell to 800,000 and \$20. In two years COSACH lost \$13,000,000 and

faced rioting workers as employment fell from 60,000 to 10,500.

Even that handmaiden of big business, *Fortune*, does not blink at the ugly picture. The magazine of business says that COSACH had been heavily overcapitalized; that nitrate reserves, the Guggenheim process, and the plants had been written up to exaggerated values; that COSACH had been loaded with debts greater than "the total external debt contracted by Chile from the time of its independence to 1927"; and that the organization expenses had reached a total of \$3,550,000, of which nearly \$1,000,000 were lawyers' fees.

These facts were aired, of course, and with less charitable comments in the Chilean congress and the Chilean press. Gustavo Ross, in reorganizing COSACH, very nearly nationalized the nitrate industry by assigning 25 per cent of the profits to the government and 75 per cent to the Americans, making five of the directors governmental appointees and seven company men.

Another institution which antagonized the Chileans and got the expert surgery of Dr. Ross was the American and Foreign Power Corporation. This company runs the street railways among other things, and its trolleys have brought it unmerciful and unjust attacks. Chilean Leftists complain bitterly, for instance, that the company pays its 3093 workers an average daily wage of only 11.25 pesos or 45 cents, American. But how can it pay them better when Chile allows it no increase over an unprofitable fare of only eight tenths

of one cent, American? The Chileans complain with equal bitterness against the company's equipment, and the company replies with equal justice that it must pay 275,000 pesos for a locally assembled streetcar and that this equals 1,375,000 fares! The Chileans will not let the company raise the fare and they argue that while the streetcar subsidiary loses money the parent company grows rich out of light and power. In a situation like this the American and Foreign Power Corporation was charged with violating the exchange-control laws. Clubbing the Americans with this, Dr. Ross used an instrument surprisingly like a meat cleaver to reshape the utility into the *Compañía Chilena de Electricidad*, with seven Chilean directors on a board of eleven.

Now, entirely too much emphasis has been given to these exceptional butts of Chilean mistrust. To see how American capital is conducting itself in Chile I left Santiago's business and political talk and Viña del Mar's rivieralike comfort to go to the sun-baked pampas, where it never rains, where no tree or shrub or bush ever grows, but where nitrate and iodine and copper are not washed into the sea as elsewhere but held in that parched desert land. An area forever sterile gives fertility to garden spots around the world.

I found that the Braden Copper Company pays an average wage of 30 pesos (\$1.10) a day, with the other copper and nitrate companies close behind at about 28—the highest wages paid in Chile, where tramway conductors are paid 12 to 14, sawmill workers 10 to 14,

skilled workers 16, and farm laborers 3 to 4 pesos a day; where governmental salaries run from 3000 pesos (\$120) a year to 52,500 pesos (\$2100) a year.

At Chuquicamata I found the world's greatest copper mine. The Guggenheims put \$12,000,000 into that mine between 1911 and 1915, at a time—as the copper people kept suggesting—when nowhere else except in the United States could Chileans have found the capital, the engineering skill, and the character to develop Chilean copper. They took the risks and they sold out to Anaconda in 1922 for \$77,000,000, the largest check ever drawn up to that time.

While the electric trains moved about the vast distances of this open mine and the electric shovels scooped at 1,300,000 tons of copper ore, we paused to watch a veritable mountainside lifted by tons of high-explosive charges. Standing in perfect safety with the sunburned and laughing American engineers, I could not help thinking of Spain. I have stood there in relative safety with sunburned and laughing officers of the German and Italian armies, watching them set off tons of high explosive; only their charges came from 155-mm. howitzers and those new long-barreled, six-inch field guns of the German army—batteries hub to hub, pounding away at Madrid and the liberty of Spain. Two very different kinds of imperialism, I thought.

And in the model nitrate *oficina*, or plant, at Pedro de Valdivia, where the high-tension lines are moved about on skis and the trains and electric shovels moved

along in the same way over the open mines from which they were taking 56,000 tons of nitrate ore a day, I saw self-respecting workers and open, confident relations between Chilean *rotos* and gringo managers. *Rotos* who had lived like animals until the Yankees came had thirty sports and other clubs, and took their showers and changed their clothes after work each day—proud of clean mines, clean houses, and clean comrades.

And at María Elena, the parent nitrate *oficina*, I saw proof that the Chileans are wrong who believe that their own *rotos* cannot be educated. George W. Garay—who, incidentally, caught the world's champion swordfish (842 pounds) in Chilean waters—took me into his machine plant. There Chilean *rotos* were rebuilding electric motors, steel railway cars, and Garay's fishing reels. I never saw workers prouder of their work. They had even made precision instruments and gauges. They were eloquent and highly articulate proof—these American-educated and developed “ragged ones”—of what *can* be done for the *roto* with the New Deal in Chile.

I was impressed, moreover, with the quality and character of such American engineers as Horace Graham and “Don Pablo” Krueger, who run the nitrate industry of Chile, to mention only two. They have come through the hard way—barricaded with the Indians on the warpath, their camps in Bolivia swept with bubonic plague, and their mines smashed by everything from storms to bad banking and worse labor

troubles—and today they are engineers, financiers, and statesmen.

"We always figure," said one of them, "that we are uninvited guests in another man's home."

There is more truth than public-relations diplomacy to this remark. I think these Americans are the true and loyal friends of Chile.

And I think men like President Aguirre, of the Popular Front, know this too.

8

Shortly after Grimsby, the favorite, won the derby in the beautiful Viña del Mar race track—my money on another horse, which led until the finish—friends introduced me to one of the richest and most distinguished citizens of Chile.

This gentleman—gray at the temples and at the close-cropped mustache—looked like a cartoonist's notion of the chairman of all the chairmen of all the boards.

Later, over a whisky, I found that he talked uncommonly well and that he made good sense even where we were not agreed. He was a cosmopolitan and yet a responsible citizen, concerned with the problems which face Chile and the world.

"They have always thought in my family that I was a little crazy," he said rather apologetically. "It's all the fault of my having been educated in the United States. When I came back to Chile twenty years ago I

said to my family and my friends, 'Look here. You can't treat people this way. You can't deprive the masses of any life in the community. You can't go on living on big properties, depreciating the peso to the prejudice of the *roto*. There'll be an explosion.' They heard me with impatience at first—'As crazy as a Yankee,' they said—and then they heard me with alarm. 'Shut him up; he shouldn't talk that way,' they said."

My friend paused a moment.

"You must understand," he said, "that the conservatives here in South America are not like conservatives in North America. In the States they want progress and better social conditions. Here there are people who want no change at all. They want thousands of acres of wheat held by a single owner and reaped by slaves without farm implements. They are against the machine.

"Well, we have come closer to the explosion than they thought. My cook came in to me just before the election of the Popular Front. 'Don Carlo, the revolution is coming,' she said. My cook is a Communist—a good woman but ignorant. 'But you have always been good to me and I am going to take care of you,' she said. 'I'm going to let you go on living in the big house. But I will run the house, of course.' "

Don Carlo shrugged his shoulders—the only Latin gesture in a man you would have taken for English.

"Well, the revolution, or the election, if you prefer, has come. I am still living in the big house. My cook is taking very good care of me, but she is not running

the house. And, what is more, she is not talking nonsense any longer about the revolution.

"These Chilean poor people are good people. They don't want trouble. All they want is a chance. Well, they have got it with the Popular Front—it is a chance for the *roto* and a chance for Chile. But what are the conservatives doing? Are they realizing that this is the way to avoid the explosion? They are not. They are crabbing the act, as you say. They are sending their money out of the country and carrying on a whispering campaign to destroy confidence in the government. Don Pedro Aguirre Cerda is our new President. They attack him on every hand. He is failing here; he is failing there. Nothing that he does is good, to hear the conservatives talk—my own kind of people. Well, they are wrong. Aguirre is doing well. Leave him alone, I say."

Now Don Carlos is not unique among the Chilean Rightists, but he is in a very small minority—too small a minority, perhaps. And it is this way of thinking by South American Rightists—standpat fear instead of an understanding of evolutionary change—which plays into the hands of the Germans, Italians, and Japanese.

On every hand I saw evidence that the Unholy Alliance is operating on reactionary fear to achieve in South American countries what they were able to do in Spain. When I went to Santiago's beautiful little country club, I found Rightists who surprised me by their ignorance of the economic, financial, and social problems of Chile's being courted by personable Ital-

ian and German diplomats who laughingly exchanged the Fascist salute with them. And at social functions I heard the kind of whispering campaign by these Fascist agents which was responsible for \$3,000,000 being sent out of Chile in a few days of ungrounded but carefully propagated fear. The Germans even started rumors that President Aguirre was stricken with paralysis and was held prisoner by the extremists of the Popular Front—a rumor which the Chilean police authorities traced directly to a German travel agency, where the man who poses as manager is actually the head of the German intelligence agents in Chile.

A basic part of the campaign, of course, is directed against the United States. Fascism is the pattern of the future, the Germans whisper, but the United States—though corrupt as all democracies are corrupt—is controlled by Jews and Communists and deliberately stirs trouble throughout the world. All the ills of Chile are due to Yankee imperialism. The Hull trade system is a final effort to trap them—a Yankee impertinence, since the United States cannot buy Chile's produce as Germany does. The way out for Chile is plain—the country must move steadily toward Fascism, meanwhile repudiating American debts, confiscating American property, and trading with Germany on a barter basis.

With this campaign go all the tricks the Nazis employed in the Balkans, where in five years Germany increased her share of trade from 20 to 60 per cent. Anti-

Semitism is a vital part of the program, and I found that all business houses are told to discharge Jews or lose their business with Germany. Chileans of German origin are told that they must register and play their part in the Nazi machine, and with the German hospital and sports club of Santiago divided on this issue sanctions have been brought in Germany, I was told, against the relatives of German Chileans.

Germany and Italy count always on the crassness of youth. At Villarrica, a beautiful lake town south of Santiago, some 500 Chilean youths in their teens are encamped under the swastika flag. Investigating, I found that they are given three weeks' food and lodging and transportation from their homes, wherever they may live in Chile, for 150 pesos. Round-trip rail fares from Santiago to Villarrica are 200-odd pesos and from towns farther away much more.

While Italians and Germans make every effort to win the sympathy of the military, special prices are made to Chileans, generally, who will visit the wonderlands of the dictator. The "patria" offers round-trip passage and forty days in Germany, with all hotel and food bills paid, for about \$400, much less than steamship transportation to New York. For a little more, Chileans, well disposed toward Fascism, can have a year's schooling in Germany. Chileans of German origin who will go to Germany for four months' military service are given free transportation.

The key to the Fascist drive, here as elsewhere, however, is trade. And what the Germans have been able

to do in this field is very interesting indeed. Other activities are to be tied up in the future with trade. Rightists are made afraid of Communism. Chileans in the Magallanes region are stirred to separatism. Sabotage and labor troubles are fomented. And when the Chilean government tries to call a halt, it will be impossible—if all goes well for Germany—because of the percentage of trade between the two countries and the fact that Berlin at the stroke of a pen can terminate the whole of this trade. Far from being discouraged by the coming power of a Popular Front, the Germans are redoubling their efforts, and they count on Chile's need for trade expansion and the Rightists' fear of Communism.

9

Germany's intensive campaign in Chile reached fruition two years ago, when Nazi trade during 1936 surpassed that of the United States.

We sold Chile \$18,131,000 of goods, or 25.4 per cent of her total imports, while German exports reached the incredible sum of \$20,540,000 or 28.7 per cent of all Chile's purchases.

These figures are all the more remarkable because in 1936 Chilean sales to Germany totaled only \$11,205,000, or relatively half Germany's exports to Chile, while the United States took \$22,558,000 in goods from our sister American republic.

In the past two years we have slowly edged Ger-

many back into second place, so that our sales in 1938 are about 28 per cent of the total as against about 26 per cent for Germany, but our situation remains precarious. We regained first place because Chile partly operated on reserves through 1938, not because we did anything intelligent or constructive to meet German competition.

Just as Germany has driven us out of first place in Brazil during 1938 and is likely to destroy our position in Argentina during 1939, so we are constantly faced by a threat of German competition which will play havoc with American interests in Chile unless we decide to meet the Germans head on.

The German tricks in Chile are exactly those which have been employed in Central Europe. Like the Balkan countries Chile produces primary goods, and with agricultural prices down Chile's exports are hard hit, her sales abroad bring in less gold, and she is short of foreign exchange.

The Chilean government has been compelled, consequently, to protect the peso by exchange control. The Chilean who wants to import must convert his pesos, of course, into foreign currency. When the government has enough foreign currency, it will sell the importer dollars at twenty-five pesos for one dollar. This purchase of dollars from the government is the way four fifths of the imports from the United States have been financed and it is a deliberate discrimination in favor of the United States, because if the peso were uncontrolled its value would fall rapidly and Chileans

buying dollars in the free market would be compelled to pay thirty or thirty-two pesos per dollar.

The Germans, however, employ the Aski, or compensated, mark. They fix an arbitrary value to the mark as against the peso for all purchases in Germany. With the dollar at twenty-five pesos the Germans deliberately fix the mark to the equivalent of twenty-one pesos to the dollar. This affords German exporters a discount against American exporters of about 16 per cent when there is enough exchange for the American to buy from the government at twenty-five pesos to the dollar and a discount of from about 30 to 35 per cent when he must go into the open market, where the peso is down to thirty or thirty-two.

This is what hits American radios, automobiles, motion pictures, and the like. The Germans see to it that if a Chilean is buying an automobile he gets his discount in currency by converting his pesos into Aski marks instead of into dollars. That almost extinct type, the German "capitalist," takes the rap. A Chilean has got to have a very real affection for Uncle Sam or a very lively comprehension of the dangers of trading with Germany before he pays so much more to indulge his preference for an American car.

But in addition to radios, automobiles, and motion pictures the Germans are dividing the steel market in Chile with the United States and are hurting us with electrical machinery, railway equipment, cameras, and optical goods. Our quality is so superior that the differential afforded by the Aski mark is not enough and

we have found that in sales like this the Germans are resorting to subvention prices.

Where the Aski mark and the subvention price are not enough the Germans suggest easy credits, and where this is still not enough they fall back on their barter schemes. Chilean aviators prefer airplanes from the United States. They made no bones about it when I talked with young pilots, and they made no bones about it when the Germans and Italians were trying to sell them. The differences afforded by price cuts and currency differentials could not overcome the air force's natural preference for planes which were faster and safer.

So the Germans did this trick with barter. Though Germany normally manufactures 2,000,000 tons of nitrate, some of the German factories were ordered to shut down. The German "capitalists" naturally obliged and Berlin decided to take 150,000 tons annually of Chilean nitrate—nitrate coming from American-owned plants, partially controlled by the Chilean government. These nitrate sales are understood to be the explanation for German aircraft sales.

In any event, Chile during the past two years has bought 12 German Junker bombers, 15 Focke-Wulf trainers, 4 Junkers for commercial purposes, 9 Italian Nardi training ships, and 20 Italian Breda fighters. These planes are inferior by every standard to their American counterparts and two of the Nardi ships have cracked up, killing the pilots, with a resultant hue and cry.

While pushing their sales of everything from radios to railway equipment and aircraft, the Germans have been careful to build up purchases—purchases where they count politically. Germany is buying every year now from Chile \$5,000,000 worth of wool, \$3,000,000 worth of lentils, \$1,500,000 worth of hides and skins, \$1,000,000 worth of oats, and only slightly less in beans, apples, flax, wine, and copper.

These goods come from the south of Chile, where there are some 30,000 Chilean-German farmers, honey-combed already with Nazi agents and sown with Nazi propaganda. Each year before time to plant crops the German government tells the Chileans just how much it will take of each commodity. There is no uncertainty about the market. Germany is the friend of the Chilean farmer. The farmer can count on Germany.

The danger of this is plain to those who have watched the Germans operate in Central Europe. The larger this market becomes the more wholly dependent upon Germany the Chilean farmer becomes. Let the Chilean government become frightened by the implications to Chile's economic independence of increased barter trade with Germany and begin to take measures in its self-defense and Berlin acts promptly. There will be no purchases next year, says Berlin, of Chilean wool, lentils, hides and skins, oats, beans, apples, flax, wine, or copper. Large vested groups in Chile are faced with ruin and bring prompt pressure to bear on the government. Rare is the government which can face such a vested group. The Chilean government is already

vaguely aware of this danger. It has decreed, for instance, that Chilean farmers cannot sell beans to Germany unless at least one fifth of their total is sold to some other foreign country. But the farmers cannot sell that one fifth elsewhere in most instances, and they are already raising a clamor against "anti-German" feeling in the capital.

The implications of these German efforts are already evident. The more Germany is able to trade with Chile through the Aski mark, the subvention price, the barter arrangement, and the creation of vested groups, the more Germany draws on the government's foreign exchange. In a system like Chile's, where there is partial exchange, one law is always operative. When there is a shortage of exchange, it is the "free" market which must yield to the compensation market. Germany has taken a lion's share of the country's exchange and, though the Popular Front government favors the United States, not German but American exporters suffer from the exchange shortage.

Here is a clear case where the United States ought to intervene to save its own position and to save its sister American republic.

10

Stricken by earthquake after its financial situation had already become difficult, Chile under the Popular Front government faces problems which will test whether the country has friends or not. And in the testing Germany may win or lose its bid for South America.

The immediate and most urgent problem comes from an acute shortage of foreign exchange. After desperate efforts to maintain the trade balance there has been a flight of capital which suddenly drained the till.

As a result of this shortage I found some \$4,500,000 of American goods waiting to come into Chile but no foreign exchange available to importers who must convert their pesos into dollars before they can effect delivery.

Created largely by the drain of German Askis marks on the exchange, in the first place, and by the German-inspired flight of capital, in the second place, this crisis hurts Chile and the United States but serves Germany well. A Chilean importer of American radios, for instance, cannot get dollars to bring in the radios but facilities are available to bring in German radios.

Now this crisis seemed to American businessmen, whether their own interests were involved directly or not, a case where the United States ought to intervene if it seriously intends to meet the challenge of Germany. If there is any reason for the creation of the Export-Import Bank this would seem a time for it to extend credit for one hundred and twenty days to unfreeze this situation, open up trade, and start business moving.

The implications are more important than the mere amount of trade temporarily choked. The lesson of the Pan-American Conference at Lima seemed incapable to those of us who observed the deliberations.

The United States must learn to help its friends. South Americans do not understand a "good neighbor" policy which draws no distinction between good and bad neighbors. Delegates from countries like Brazil and Cuba, who helped the United States all the way only to have the United States abandon its position rather than offend countries like Argentina, which was openly hostile, were bewildered.

"What is the point of being the friend of the United States?" several of them asked me. "We try to help you and we are left out in the cold—we make an enemy of Argentina; but we make no friends, because you are everybody's friend and nobody's friend."

Now the masses in every country which I have visited are the sincere friends of the United States. The masses are democratic, they like the "good neighbor" policy, and they like the fact that, unlike "Mickey Mouse" Chamberlain, Roosevelt stands up to the dictators of Europe. The masses dream of a "New Deal" in their own countries, and wherever you find a public meeting you will find cheers for Roosevelt and for the "Yanquis"—a word of opprobrium in the past. The vast majority in every South American country which I have visited welcomes the election of the Popular Front in Chile. President Aguirre Cerda is cheered as the "Roosevelt of Chile."

South Americans are not going to be able, therefore, to understand Uncle Sam if he does not help Chile. They are going to decide, in fact, that there is something to this talk that the democracies are through and

that South American countries might as well recognize the fact and throw in with Germany, in trade and in political policy. There is going to be no brake, in short, upon the governing groups in certain countries who already tend to this policy.

Nothing could be sounder for South America than the Hull trade policy of reciprocal-trade treaties based on the "most favored nation" idea. Latin America recognized this policy in a resolution at Lima. But nothing could be less sound, for either South America or the United States, than the idea that this trade policy suffices in the struggle against Germany. In meeting a rival who is wily and opportunist, who invents tricks faster than its competition can understand them, the United States is going to lose to Germany if it stands in doctrinaire fashion on the Hull trade policy. That policy is a sound basis but it is not enough.

Washington is taking a doctrinaire position against Chile—the kind of position which will facilitate Germany's victory. Chile has a compensation agreement with Germany. Because she accepts the Aski mark, the United States says that Chile is discriminating against the United States. Technically that is true. Whereas Chile makes exchange available for trade with the United States at twenty-five pesos to the dollar Germany sets an arbitrary value for the Aski mark which is the equivalent of twenty-one pesos.

In spirit Chile, however, discriminates in the favor of the United States. The rate of twenty-five pesos to the dollar is arbitrary because Chile wants trade with

the United States. Without exchange control the peso would fall to thirty or thirty-two for the dollar, thus making trade with the United States costlier for Chileans. And it is not the fault of Chile that Germany gives her a better rate. Germany gives it voluntarily.

Chileans like the United States and dislike Germany. If they could, they would divert all their trade to us. But Chile lives by imports and exports. And the United States buys less than a third of her exports. So long as this is true Chile must find markets elsewhere. How can any Chilean government refuse, therefore, to sell to Germany when that country offers an advantageous rate and buys almost a third of Chile's exports? To refuse to sell to Germany means to have Chileans starving to death.

But the danger of trade with Germany is plain to the Chilean government. So long as Germany does not gain the preponderance of trade, that commerce is safe. The danger lies in the fact that as German trade increases on compensated currency it cuts into the "free" currency market and decreases Chile's liberty of action in trade with the United States.

American policy ought, therefore, to be plain. We cannot deny Chile the right to trade with Germany so long as we cannot take more of her trade. And yet we cannot wisely declare that Chile is discriminating against us and act accordingly, because this means that ultimately we will lose our own trade with Chile, our vast investments there, and the naval aid we must have from that country if we are at war. We can treat Chile

as a friend or we can hand the country over to Germany.

If our policy continues to be doctrinaire, we may lose both an ally and a war. If one bomb closes the Panama Canal, the key to American defense becomes the Strait of Magellan. Chile controls that and can shut out or let pass the fleets of Japan, Germany, and Italy.

TRADE relations between the United States and the Argentine have reached a critical and dangerous state. They are so bad that if some solution is not found they are likely to arouse public opinion in both countries and strain political relations between the Yankees of the North and the Yankees of the South. This is the aim of hundreds of German agents.

Argentina is discriminating against the United States in favor of Germany, Great Britain, and some dozen other countries with whom she has special trade and exchange arrangements such as she has not negotiated with the United States. Her measures are more discriminatory than those of Germany and Australia, whom we have blacklisted.

Argentina took measures in 1933 against American firms and by requiring prior permits for the transfer of pesos into dollars made the purchaser of American goods pay from 12 to 16 per cent more for his exchange than European competitors who changed their currency at an arbitrary rate afforded by the Argentine government.

Argentina took further measures in 1935 which increased this surcharge to 20 per cent. The Argentine

public continued to buy American automobiles, radios, electric refrigerators, and the like despite the fact that the cheaper European articles enjoyed an additional 20 per cent cut in price effected by the exchange policy of Buenos Aires.

In December, 1938, Argentina prohibited entirely the importation of some 130 articles which constitute the bulk of our sales to that country. After five years of discrimination Argentina took a step which could have no purpose except to reduce by more than \$25,000,000 a year American sales and arrange the purchase of those articles from Germany and other European countries enjoying special favors.

Finally in February, 1939, Señor Groppo, the Argentine Minister of Finance, announced frankly that he proposed to cut Argentina's imports from the United States by 40 per cent. The exchange shortage was responsible, he said, and Argentina was compelled to buy from those who bought from her. He proposed a compensation agreement with the United States such as Argentina has with Germany.

Unless this situation can be remedied by the immediate negotiation of a trade treaty between the two countries, Mr. Cordell Hull's reciprocal-tariff policy based on "most favored nation" treatment is knocked into a cocked hat, with all that implies for our position and policy elsewhere; Germany, which surpassed us in trade with Chile in 1936 and with Brazil in 1938, will take our place in Argentina in 1939, and Uncle Sam, despite his "good neighbor" policy, will have lost

the ABC powers and more than the first round to Germany.

Just as the British and French played ostrich and lost Manchuria, Ethiopia, Czechoslovakia, and Spain before they realized that these small countries were the outposts of their defensive system, so the United States will have underestimated until too late the force of Hitler and his allies. The significance of the Unholy Alliance and the danger to the Monroe Doctrine will have been misunderstood. For South American trade is not a goal in itself but a means toward a political end for Germany, Italy, Japan, Poland, and Franco Spain.

To the average American at home Argentina and our relations with that country seem as remote and unimportant as Manchuria and Ethiopia seemed to the Englishman and the Frenchman. Not so to the American businessman in Buenos Aires. A single automobile company sold \$11,250,000 worth of American automobiles in Argentina last year, and the total sales of American cars and trucks were around \$25,000,000. American automobile companies are limited to a quarter of last year's sales now, so that they stand to lose three quarters of their Argentine market. General Motors and Ford are big enough to cut down pay rolls and take it, but it will be a tremendous wallop.

The average American concern in Argentina is not big enough. Denied the right to bring in their goods for six months, concerns which do a business of \$200,000 a year or less will be ruined. They will fold up with a 100 per cent loss. I talked with scores of Ameri-

cans who face ruin because there is no way for them to get in articles for which the Argentine public is clamoring but which the Argentine government has prohibited outright or placed on a quota.

These men, curiously enough, do not bellyache. They speak of their impending ruin as an "atrocious" story, as good a story, they say, as what the Germans are doing to Catholics and Jews. They are born optimists, like the Americans who shipped furniture to the Argentine in the bark *Superior* out of Providence, Rhode Island, in 1801, or like the five American firms which opened for business in Buenos Aires in 1806. They try to tell themselves that the present situation is temporary and they count on the good sense of the Argentines, whom they like.

If the present policy of the Argentine government is not temporary, the damage to American business will be irremediable. The United States enjoys two advantages in trade with the Argentine. The quality of the goods is superior, and the Argentine, like the Yankee of the North, says, "Damn the cost, if it's good I want it." The second advantage, equally important, is the fact that American concerns have the kind of sales organization which shows the buyer that the American article is superior. American sales forces reach the Argentine public. Germany deals directly with the Argentine government but cannot overcome the American sales advantage and persuade the Argentine that he ought to buy the very articles which his government's policy forces him to buy. If the present "temporary"

situation can be continued until American firms fold up, then Germany will have removed the last obstacle to a clean sweep.

Now the situation which produced this commercial crisis was not engineered deliberately by Argentina. The first measures in that direction were forced upon her by circumstances beyond her control. Like the Balkan countries in which Germany has played so much havoc, Argentina was a producer of primary products, and when world prices went against her she had a serious exchange problem and the British led her into the dangerous path of compensation trade. Subsequently there have been considerable German propaganda and other activities which can best be described as unorthodox to carry her farther along that way. And now there are German activities, very far from orthodox, to exploit the situation and rupture trade with the United States entirely.

The Argentine point of view and the true situation in that country ought to be understood in the United States. Washington ought to decide on its policy—a reasonable policy, fair to Argentina—and ought to enforce it. The way the Argentine problem is handled matters too much. Pussyfooting and “good neighbor” speeches are not enough. We have \$14,000,000,000 of gold reserves on the one hand and on the other we control the trade of Brazil, one of Argentina’s vital customers, and we need only sell her the wheat which she buys from the Argentine. Only through stupid timidity can we make Buenos Aires an American Munich.

More like North Americans than any people to the south, the Argentines in general like us less than they like Europeans and they think of themselves as held close to Europe by ties of commerce, blood, and culture.

While Chicago remains wheat stacker and beef butcher for the North, Buenos Aires of necessity looks toward Europe—for it is there that she finds the great market for her meat, her wheat, and her grain. She is an agricultural country; she lives by her exports, and when she loses the European market she goes in the red.

The fact that her whole economy is pointed Europeanward is followed by the fact that her population is European. Some 2,000,000 Italians alone live in the Argentine, accounting for 47.4 per cent of the immigration since 1857. Since 1910 Italian immigration has been matched by newcomers from Spain. Argentina alone of the Latin American countries has no Indians and no *mestizos*, or mixed bloods—a fact of which the Argentines are inordinately, if perhaps mistakenly, proud.

It is an all-European population, and of the total of only 13,000,000 almost a third is European-born. Equally important and incredible in an agricultural country, half this population is urban, 3,000,000 living in Buenos Aires alone. Thus the Argentines have a larger percentage of European-born population than

any other American country, and most of them live not close to the land, where they develop an "American" point of view, but packed together in cities, where life goes on for them much as it did in Europe.

Finally, such a population holds the country close to Europe culturally. Even an Italian immigrant who begins to think of himself as an Argentine in all domestic affairs naturally thinks as an Italian in any question involving foreign relations. This is equally true, of course, of the Spanish population. The synthesis in culture is achieved through the French language.

French is the fashionable second tongue, and the wealthy read French novels, admire French art, and take French holidays. The dream of every Argentine is an apartment near the Bois de Boulogne and a holiday at Cap d'Antibes or some other chic Riviera resort. An Argentine who speaks impeccable English is likely to drop into French if he wishes to impress a visitor.

In Argentina "culture" is important, just as in the United States there are more book clubs and more lecture agencies than anywhere else in the world, despite the fact, as Argentines frequently told me, that "there is no culture in the United States—a parvenu country interested in the almighty dollar."

And yet the Argentines, with their great emphasis on "culture," are more money-minded than any people in the world except possibly the North Americans, and they talk constantly of how much or how little money So-and-so has, money being not only their only

standard of measure but also their principal subject of conversation—along with how much bigger and better things are in the Argentine.

An Argentine student asks you, for instance, how many broadcasting stations there are in the United States. You go to some trouble to find out. A few days later you report that there are 511. "But that is impossible," he exclaims. "There aren't that many in Argentina." Then you suggest that the population of Argentina is 13,000,000, while the population of the United States is 130,000,000. You try to be diffident because such an enormous population is not always an unmitigated blessing, especially if 13,000,000 of them—the population of Argentina—have been unemployed. Your friend shakes his head. "Your figures are obviously wrong," he says, "because there are only 83 broadcasting stations in Germany." That ends it.

The Argentines are strangely like the North Americans, as you will have concluded. Most foreign observers of both countries suggest that Argentina is comparable today to the United States of fifty years ago. There is the same predominance of agriculture, and the same inadequacy of home industries, and the same dependence upon foreign credits. Equally important, there is the same provincial outlook, the same all-embracing confidence, the same political corruption, and the same insufferable bigger-and-better complex.

Now, Europeans coming to the United States have sometimes been dismayed at first by the incredible na-

ture of the Yankee—our provincialism, our false confidence, our corruption, our boastfulness, and our unconsciously patronizing rudeness toward “furriners.” Our grandparents never forgave Charles Dickens. They had read his novels about the English with hearty American guffaws, but when he came over and held the mirror of his superb journalism to the American scene we Americans did not think it was fair. He ate our luncheons and then wrote so truthfully about us that we branded his writings as “lies,” and malicious lies at that. There are Americans who even today cannot read *Nicholas Nickleby*.

We all know, of course, that if we have looked uncouth and funny to English lecturers it is only because they have not stayed long enough really to understand us. The same is true, of course, in the case of the Argentines. Those who really know them are their most ardent champions.

I talked with a foreign woman who has lived in that country for many years, enjoying both wealth and social distinction. This estimable lady was frantic. She was having a very large party the next night. She had sent out several hundred invitations ten days before to top-flight Argentine society. Her party was coming the next night and almost no one had answered her R.S.V.P. It was incredibly rude. How could a hostess know how much food and drink to provide?

“Oh, they are like that,” she said. “They are asking their friends whether to go or not. At the last minute they will decide whether everybody is coming or not,

whether the orchestra will be good. It just doesn't occur to them that it is rude."

This lady then explained to me very convincingly why the Argentines are the most delightful and most admirable people in the world. Her guests decided to come, incidentally. The party was a success.

In the same way the Argentines at Lima outdid the Nazis for diplomatic boorishness. In the first place, Dr. Cantilo, the Foreign Minister, did not attend the conference but timed a state visit to Lima to coincide with the Pan-American meeting. He arrived in a cruiser and the Peruvians, not a little embarrassed, were compelled to do him the honors. While Cordell Hull and the other foreign ministers were shoved into secondary positions, Cantilo was wined, dined, and feted. Then when the conference opened Cantilo huffily steamed away. Did he rush back to Buenos Aires on a plea of business? No, he took a leisurely holiday trip through the Chilean lakes, only a few hours by airplane from the conference, close enough for him to send back regular instructions for his delegation to oppose anything the United States favored. This was carried so far that finally when Mr. Hull abandoned his own ideas on continental solidarity to accept outright the draft prepared by the Argentines, Mr. Cantilo held up his delegation's approval of its own draft, bewildering not only the conference but the Argentine delegation. Later in Buenos Aires these tactics won the formal praise of the German Ambassador.

I talked about this with a mellowed diplomatist.

"After all," he said, "the United States has done things as impossible. We created the League of Nations, and then when we turned against it Secretary Hughes went so far in our blatant hostility that for a year we declined to acknowledge or answer correspondence from the League on matters vital to both Geneva and Washington."

Someone has said that since Argentina cannot be the head of America she has decided to be the tail of Europe. Like most witticisms that is superficial. In the American vernacular, "If we are for it, she's agin it." The Argentines are just "contrary" in the best American tradition. And just as the Spaniard kills without malice so the Argentine slaps at Uncle Sam without animosity. With their bigger-and-better Buenos Aires skyscrapers and their wild pampas they could not really dislike the States. We are too big and too rich. Those are things which the Argentine respects.

3

The masses in Argentina after years of anti-Yankee feeling, which still inspires the governing clique, have warmed suddenly toward the United States. The man in the street has a more friendly attitude toward Yankees today than he has probably ever had before.

This is strange, significant, and important at a moment when trade relations between the two countries have reached a crisis and when German agents are doing everything they can to bring a break between the Colossus of the North and the Colossus of the South.

The "good neighbor" policy is perhaps less a reason for this than a number of seemingly unimportant influences. The Argentine takes speeches of the "hands across the sea" variety with a very large pinch of salt. He likes talk of that sort as much as the next man, but he only half believes it.

American moving pictures, strangely enough, are a reason. The Argentine knows the Hollywood film stars better than Americans know them. And I was astonished in several movies to hear hundreds of Argentines catch the English words and laugh before the translations flickered on. Many Argentines believe that all Americans throw pies and push each other, fully clothed, into swimming pools, and their notion of college life is extravagant, to say the least, and embarrassing, I was told, to Argentines who have studied in the States.

Nevertheless, they like the Hollywood version of American life. There is an unabashed gusto and extravagance about it that the Argentine likes. Gaudy modernistic apartments, rough-house love scenes, and roaring automobiles are part of the Argentine set, too, and the Mickey Mouse who extricates himself from impossible predicaments to win through in the end could also be a prototype of the Southerner who roars with sheer delight when Popeye gulps his spinach and wallops the villain.

The American automobile and the American airplane are equally important influences. They are bigger and better and faster. That's the way the Argentine

likes things. A people that can tear away the richest Buenos Aires real estate in order to construct the world's biggest underground parking garage likes things that are bigger and better. And the United States builds things like that. A country like the States must be "okay," says the Argentine, who has taken that word over into his own language.

Now, ordinarily there would be no reason to like a country because it makes good autos or flying machines or movies or electric refrigerators. Generally that makes for envy. Today there is an excellent reason, however, why the Argentines are glad that things in the States are "okay." That reason is Herr Hitler and the things for which he stands.

The Argentines are genuinely perturbed by the course of events in Europe. They have seen Hitler and Mussolini sweep the boards—one victory after another. The British and the French, whom the Argentines have always admired, have suddenly forfeited their respect. The Argentine speaks with ill-concealed contempt for the architects of Munich. The lanky Chamberlain and his umbrella are not the Argentine's idea of the symbols of a great, self-respecting empire and they are not the symbols of a way of life which can prevail today. The Argentine masses believe that Britain and France sold out not only Czechoslovakia and Spain but democracy too.

The Argentines are afraid that the Brownshirt and the Blackshirt may become the uniforms of the future. It is a pattern to which they do not want to cut their

own clothes. The men who have ridden the pampas and built the skyscrapers of Buenos Aires and the grain elevators of Rosario do not fancy themselves as regimented goose-steppers. But they are realists and they know that in politics nothing succeeds like success. They have been afraid.

They are grateful, therefore, to the United States for being big and powerful and they are grateful to President Roosevelt for being a strong man. Roosevelt does for democracy, they say, what Hitler does for Fascism. He champions and symbolizes it. When Roosevelt was quoted as saying that America's frontier was on the Rhine, the whole of the Argentine press was jubilant. A typical cartoon showed Uncle Sam dumping a bucket of cold water on Hitler and Mussolini, caricatured as contemptible bad boys cringing before a man. A typical editorial said in substance, "You dictators have enjoyed your brutal victories over defenseless Ethiopians, Austrians, Czechs, and Spaniards. America is not a defenseless weakling. America is not your kind of bully's sport."

And when the United States sent down its "flying fortresses" to Buenos Aires, the country went wild. A few years before there would have been bitter resentment. A few years before the liberal politicians had organizations like the *Union Latino-Americana*, which could turn out mass meetings of 20,000 to attack Yankee imperialism. Today they could not get an audience of one hundred. The "flying fortresses" won the entire front pages of the Buenos Aires newspapers and

some of them printed their streamer headlines in English.

Those airplanes were no longer the instruments of a northern bully to enforce his will in Nicaragua, Haiti, or Mexico. Those "flying fortresses" were the symbols of democracy—self-respecting, confident, proud, and strong. Mr. Chamberlain could sell out every trusting small state in Europe, but let Hitler put his hand on Argentina, said the masses to themselves, and he would be met not with an umbrella but with a "flying fortress."

Roosevelt's own trip to Buenos Aires two years ago was the greatest triumph which the United States has yet achieved in its policy of binding the Americas together. The son of President Justo stood in a public meeting and screamed at Roosevelt, "Down with the Yankees," but the people of Argentina stood in the streets and cheered themselves hoarse. The nation was delirious with enthusiasm and gave the Yankees such a demonstration as no living Argentine has ever had.

The masses heralded Roosevelt for his championship of a way of life which can prevail against Hitlerism and because he represented the kind of democracy which they have not had since a conservative clique engineered the revolution of 1930. For the masses in Argentina are impatient to restore democratic government.

Argentina has a better standard of living, a more nearly all-white population, less illiteracy, and a better-unified state than most Latin American countries, but it has turned its back on democracy. The masses

hope that this is only temporary. They want constitutional government and free elections again. And they are afraid that the minority group which seized and still holds the power will try to perpetuate itself by resorting to Fascism.

That is the anomaly of Argentina. Its masses are democratic. Its government less so. And it is perhaps no coincidence that while Washington finds hostility in the governing clique it meets enthusiastic sympathy from the man in the street.

4

Imagine the victory of the old South, if you can, in the American civil war and the control of the country by the planter class. Teach the planters all the tricks of the Kelly-Nash machine, Tammany Hall, or "Marse" Ed Crump. Then you have Argentine politics.

Cattle not cotton is king in the Argentine and industry is scoffed at as something largely owned by foreigners, something to be taxed while land and its inheritance are spared. Cattle and the cattle raisers count in Argentina. In the single province of Buenos Aires there are still fifty families with holdings of more than 75,000 acres each.

You drive through tree-shaded lanes after you enter an *estancia*. Thick, muzzled, blue-ribbon cattle can be seen crunching the long sweet grass of the pampa. The French chateau looks old-fashioned but actually is a marvel of modern comfort, with air conditioning, a

swimming pool, and a golf course—the twentieth-century counterpart of that all-sufficient ante-bellum mansion with its columns as white as the cotton that made them and its family self-sufficient as no families have been since, except in the Argentine.

The twentieth-century counterpart of the Southern master is early in the saddle during the few months of the year when he is not in Buenos Aires or Paris. The women are meekly indoors and only rarely greet guests, for a woman's place is well defined. A visitor overhears bits of conversation—"Poor little Carmencita," one hears the men say. "She died with her eleventh child and she was only thirty-six years old."

A wife has few rights in the Argentine and the men like the Catholic Church, for their wives—it was God's will that Carmencita should have an eleventh child. One hears such conversation in lofty, mannish rooms, lined with the stuffed heads of bulls and crowded with silver mugs and blue ribbons—the trophies of a family which breeds blooded cattle for the sheer pride of having a perfect thing.

Here is a way of life which seems far indeed from that modern Babylon, Buenos Aires. And yet it is the way of the cattle men and the wheat men and the corn men, living on vaster properties than you can ride across in a day, which prevails. A quarter of the country's population lives in Buenos Aires, thriving city of commerce, but the Presidents who rule there must be persona grata to the *estancieros*. For it is still their Argentina, a land of pampas so flat that you never

have a view, a land of cattle bellowing and of wheat blowing.

Most advanced of all the Latin American countries politically, Argentina surprised the world ten years ago by having a revolution. Eighty-year-old Hipolito Irigoyen was too much the "people's friend." The conservatives, backed by the army and its droning airplanes, threw him out of the presidency.

Since the 1930 revolution there have been three Presidents—the Generals Uriburu and Justo and the incumbent, President Roberto M. Ortiz. But there have been no free elections. Argentina, which produced the great statesman Saenz Peña, who introduced the "secret ballot" though he knew it would sweep him and his party out of office, now prefers the old-fashioned way.

There have been no free elections for the reason, explained by those now in power, that they would lose their power. The great party of Argentina was and is the radical party of Irigoyen. It would sweep the boards in a free election, and so while they stage elections the conservatives stage them to win.

President Ortiz is a former radical who turned conservative. A corporation lawyer, mainly in the hire of British concerns in the past, Ortiz is a man of considerable ability, a businessman's man who stands for "sound economic views"—whatever they may be. Ortiz is trying to bring radicals back into office, with conservative control. He wants to take the sting out of the 1930 revolution and move the country slowly back toward constitutional government.

This is no easy task. If he goes too far in his "radicalization," his conservative machine might lose the chance of counting the ballots. That would mean their defeat in the elections later this year, which renew half the House of Deputies. Accordingly, he is courting the army and recently promoted eight new generals and a score of colonels, who may be counted on to help him whether he continues searching for radical support or stands with the conservatives alone.

In the pampa provinces there are misgovernment and corruption. Crime and politics are frequent allies as in the United States. The President has the right to intervene in the affairs of a province and is expected soon to name "interventors," or federal bosses, for two additional provinces. In one of these provinces Ortiz has just stopped a sale of public land for fear the politicians there would buy it themselves for a song, while in another the schoolteachers have not been paid for three years despite a national subsidy for that purpose—shades of Chicago.

In this situation the province of Buenos Aires has held the balance of power and is likely to hold it again. This is important because while the country is governed by reactionaries who fear a "new deal" Buenos Aires is governed by elements which are frankly Fascist. Manuel A. Fresco, Governor of the Province of Buenos Aires, very nearly achieved Fascism in his domain.

"For God, for Country, and for Home" was the slogan and program of this estimable ward-heeler—a kind of Argentine Jimmy Walker. Fresco organized the "Le-

gión Cívica," a uniformed militia, and armed them with obsolete guns purchased from the central government by the simple expedient of deducting one per cent of the salaries of all provincial employees. Señora Fresco headed a woman's auxiliary similar to the Franco organization in Spain. Fresco's Fascism struck two blows for reaction: the "secret ballot" of Saenz Peña was suspended for an announced ballot, and Catholic instruction was made compulsory again in a country which had been moving toward religious freedom.

Fresco's Fascism failed, however. Fresco was the friend of Justo, and Justo lost the presidency to Ortiz. At a moment when he found himself on bad terms with the presidency—that is, with national patronage—Fresco offended the *caudillos*, or ward politicians, who control the 110 municipalities of Buenos Aires. The *caudillos* had been helpful at stuffing ballot boxes, miscounting the vote, and stealing elections by methods well known in Cook County. But Fresco, with the forthright "efficiency" of Fascism, dispensed with their services. Fresco simply filled the streets and polling booths with his police, who clubbed heads and generally discouraged any but conservative voters from casting their ballots.

At outs with the *caudillos* as well as with the President, Fresco was easy to "purge." The Central Bank sent out circulars that all flotations in the Buenos Aires money market would require the approval of the central government. Fresco could not borrow money

abroad. That meant that he had no funds for public works. The would-be Fascist dictator could give them circuses but no bread. Fresco and Fascism collapsed.

You would think that they were through. Not necessarily. Fresco has done a rightabout-face with the presidency and is now the friend and ally of President Ortiz. And Fresco has come to terms with the *caudillos* again. His province may hold the balance-of-power position in this year's elections. It is well to remember that Hitler "collapsed," too, only six months before he came to power by the similar tactic of siding with President von Hindenburg. The Wooden Titan played with Hitler because the conservative Junker landlords were afraid of Communism. There is no Communism in Argentina, but the conservative landholders of that country are afraid of a "new deal." If they could ever gag the excellently edited and courageous newspapers of Buenos Aires, they might turn Argentina into a Fascist corporative state.

But those Buenos Aires papers are going to be hard to gag. The conservative clique tried some time ago, it is understood, to crack down on the conservative, rich, and powerful newspaper *La Prensa*. Its owners said in substance, "Go ahead. We will publish abroad and dry up your credit and have you out of office in a year." It was neither an idle nor an unsuccessful threat. And, similarly, when the Argentine government tried to expel a North American journalist for writing honestly, the newspapers, led by *Critica*, championed the foreigner against their own government.

5

The hoof-and-mouth disease, by which we exclude Argentine meats from the American market, is the essential problem which makes for misunderstanding and bad trade between the United States and Argentina.

Few North Americans know anything about this disease or can imagine its affecting international relations and possibly proving a decisive factor in the struggle between Germany and America. There is no Argentine above the age of twelve, perhaps, who cannot discourse upon it for hours.

The Argentine thinks that he has the best meat in the world. The Englishman, famous for his roast beef, also thinks so; there may be steaks in Chicago as good, but I never ate them—so I think so, too.

And the Argentine believes that the United States has invented the hoof-and-mouth disease because his beef is the best in the world and because he can deliver it in New York for sale at almost half the price of American Western meats.

American sanitary regulations are designed, the Argentine believes, not because the United States needs protection from the hoof-and-mouth disease but because American cattle growers are needlessly protecting their home markets against better and cheaper meats. This is what the Argentine believes—every Argentine, all Argentines. And they believe, moreover, that our Senate is guilty of chicanery and hypocrisy—

words I have heard frequently—and that our President promised Argentina relief when he had no intention of giving it to them.

The United States pays the Argentine more each year for linseed than Great Britain pays that country for meat, and yet Britain has a favored position and the United States is discriminated against because the British buy beef. I stressed to the Minister of Agriculture the importance of our purchases of linseed. I honestly believe that he had never known before that we bought more linseed than Britain bought beef. The minister is not in the cattle business himself—he grows sugar cane up in the hot hill country of Tucumán—but he is meat-minded. All Argentines are meat-minded. The cattle growers see to that. They dominate Argentina.

“Well, perhaps your figures on linseed are correct,” said the Minister of Agriculture, “but we don’t want to sell linseed. We want to sell meat.”

And that was that.

I never met a more delightful man, but on this subject his mind was closed. He wants to sell meat. This minister is typical of the men with whom Washington must deal. He is not anti-American but he is pro-European. The corporative-state idea interests him—mild form of Argentinian Fascism. He is the type the Germans are working on. He told me ecstatically that the Germans two years ago started buying Argentine beef—that they were buying 50,000 tons a year. I asked if it were true, as I had heard, that the Germans were

selling part of this beef in Holland, slashing prices, and ruining an Argentine market. I honestly believe that neither the idea nor the information had reached him before, although I had the information from another ministry. Like the figures on linseed this just did not matter. He wanted to sell meat. Germany buys meat, he said, and then before we knew it we were talking "hoof and mouth" again.

The Argentines have two grievances. One came with the Smoot-Hawley tariff bill. In putting a tariff of six cents a pound on meat the legislators added a rider that no fresh meat could be brought in from countries with hoof-and-mouth disease. This affected some twenty countries and did not discriminate technically against Argentina, though it is hard to convince an Argentine that the cattle-state Senators did not know what they were doing.

Independently of the legislators the Department of Agriculture also applied an embargo to Argentina. This measure was operative against the whole country. Argentines argued, however, that there was no hoof-and-mouth disease in Patagonia and that the embargo should be enforced on a regional basis. An agreement for regional application was worked out with Brazil and Argentina, and initialed in Washington in 1935. This agreement has never been reported out of Senate committee.

Argentine pride is now involved. It is a matter of principle and a matter of home politics. There is no hoof-and-mouth disease in Patagonia, and far from hav-

ing beef to export Patagonia imports meat for its own consumption. Patagonia is different from the rich pampas, high in succulent grass, which grow the beef around Buenos Aires. Patagonia is sheep land and can support only one head to six or eight acres. A little frozen lamb and mutton might be shipped to the States.

The Argentines believe that President Roosevelt when he was in Buenos Aires two years ago gave the Argentine government a solemn promise, for favors received, that the sanitary pact would go through. Instead, Roosevelt has left the agreement in committee, no doubt because he fears that the cattle-state Senators would kill it on the floor.

This kind of logrolling is bad government and an argument for those who fear that democracy may not be able to survive in the present head-on collision with ruthless, aggressive, and united Fascist states. Relations between the Colossus of the North and the Colossus of the South are strained and American traders out \$40,000,000 a year because the Senate is unwilling to make a gesture which, according to experts, could not harm American meat growers.

As for removing the embargo on the whole of Argentina, that is a more complicated problem and the experts are not unanimous. Little is known about the dissemination of the hoof-and-mouth disease, but there is no doubt that it exists throughout Argentina. Two Argentine arguments are not valid. When they point out that the British buy their beef, they can be an-

swered that England is full of hoof-and-mouth disease. When they say that it does not matter, American cattle growers can say that it certainly does.

The truth is that the Argentine simply cannot understand that there is no hoof-and-mouth disease in the United States with its 80,000,000 head of cattle. Argentine sanitary measures are so lax and the powerful cattle growers get around them so easily that the men of the pampas cannot imagine our strict sanitary enforcement.

But the Argentine is right when he asks us to treat the problem nonpolitically. He urges investigation by American and British experts. This would seem good diplomacy on our part. And we need it sorely after the latest incident in this unhappy meat story.

The Argentines have arranged a restaurant at the New York World's Fair. Naturally they want to prepare Argentine steaks. But the United States has refused them the right to bring in Argentine beef. This is a strange way to meet German methods.

6

"My parents are Italian but I was born in the Argentine. I live here. I am an Argentine. I want to be left alone. Keep the Fascists and the Nazis in Europe, I say."

This is what a Buenos Aires cab driver told me.

"We have a dirty country," he continued, "because it is dominated by foreign influences. I wish we had a

real democracy. We need an Argentine Lincoln or Roosevelt."

What garrulous cab drivers say is generally not important—especially when they talk and drive at the speed of the Buenos Aires *tano*—but this reflects the feeling of perhaps a majority of the Italians in Argentina. And that is important, because of Argentina's 13,000,000 population perhaps a quarter is Italian or of Italian origin.

"We all admire Mussolini," said another Italian-Argentine. "Waiters no longer treat us Italians disrespectfully in restaurants. And for that we are grateful. By conquering Ethiopia and Spain Mussolini has unwopped the wop. But all the same we don't want Fascism here, we don't want to be involved in any European war, and we want to be left alone. Why should Italian Fascists try to collect money from me? I am a citizen of the Argentine."

The Italian assimilates easily, and while there are two Fascist newspapers in Italian and hundreds of Italian agents Mussolini has made no extraordinary progress in Buenos Aires. In the movement to bring Italians back to Mother Rome few cared to leave the Argentine.

Not so Herr Hitler. There are only 40,000 Germans and 200,000 Argentines of German blood. But they are Nazi. Only a fraction have stood out against the methods of the organizers, Gestapo killers, and the "diplomats," who have spread their brown network into every town and village.

I talked with the German servant of a foreign family in Buenos Aires.

"They offered my little girl a free trip to Germany," she said. "I was very proud. But my little girl came back a Nazi. I had no political beliefs. My girl came back a Nazi and an anti-Christian and they made her testify against me. I was threatened. Now they take part of my money every week for their newspapers, their anti-Jewish and anti-American literature. I must report every week and they even ask me about the conversation in this home where I work. And I am an Argentinian. I was born in this country and I have never seen Germany."

Thousands could tell the same story. In the German embassy there is a file card for every Argentine of German origin. Notations are made on his political reliability, his employers, what he has been able to do in commercial espionage, how he has helped propaganda, his relations with Jews, his club affiliations and attendance record, and, finally, his relatives in Germany. It is primarily by the threat—frequently not idle—of sending relatives to concentration camps that Hitler has his way with German-blooded Argentines.

Whether he likes it or not the German must enroll in clubs for sport, play, or song. The *Deutsch La Plata Zeitung* carries nearly a full page of announcements of meetings of Nazi clubs, including rifle meets for those who receive semimilitary training. Woe to the German who is lax in attendance.

The German is called on, moreover, to spread

through his circle of friends, his office, or his factory the literature of the Nazis. German ships illegally enter hundreds of thousands of copies of *Der Stürmer* and *Der Schwarzer Korps* in German and in Spanish translation. The newspaper *Crisol* and the weekly *Clarín* are published in Spanish and devoted entirely to anti-Jewish, anti-Communist, and anti-American propaganda—the three things being synonymous for their purposes. Eight other dailies are partially subsidized by the Germans and Italians. In addition German-printed posters against the Yankees appear everywhere, and pamphlets attacking American imperialism and the danger of trade with the Yankees are sent through the mails.

Employees of all German firms must be Nazis, just as no German firm or no Argentine firm trading with the Germans can employ Jews. Deductions for party funds are made directly from wages in German firms. Nazidom's multitudinous activities are supported from Argentine pocketbooks and supported so well that the agents have been able to send as much as \$50,000 in a lump sum to General Franco.

Germans working for American and other firms are compelled to do espionage work in order to facilitate German competition. A German who has worked thirty years for American concerns burst into tears as he told me that soon the word German would be synonymous with "dishonorable." Official or semiofficial status is arranged for party members when that will aid their missions. An agent working for Ameri-

cans, for instance, has been in charge of spreading propaganda into Paraguay; he has now been named a German vice-consul. The Germans are careless about abusing diplomatic privileges and immunities when their embassy is given over to secret police work, and one of their banks is primarily a clearing house for secret funds.

With a single exception the Nazis have "coordinated" all German schools. Carefully selected teachers and specially written textbooks turn children against their adopted country. This went so far that in May, 1938, the Argentine government intervened. The authorities compelled the Nazis to remove pictures of Hitler and Goering and to give up opening school with the "Horst Wessel" song. In order not to discriminate against Germany Argentina enforced the new regulations against all foreign schools, and an American school took down a bust of Washington and an engraving of Lincoln.

I was interested to see whether this measure had changed the nature of teaching in the German schools. Here is a sample of the way history is taught today to children in German Goethe School:

Teacher: Whom have we Germans to thank for everything?

Child: Our Leader, Adolph Hitler.

Teacher: And why?

Child: Because he has freed us from the shame of Versailles.

Teacher: Very good; but still more, he has made us

a world power, so that all Reds and Jews fear Germany. Who was the American Wilson with his Fourteen Points?

Child: A lackey of the Jews.

Teacher: You see, everything in North America, England, and France is Jew-controlled.

Child: In New York City there are only Jews and Masons. They are everywhere.

Teacher: And what do we learn from this?

Child: We learn that we must stand by our Leader.

This is what little "Argentinians" are taught, and their lessons are not enough. The good pupil—that is, the pupil with Nazi zeal—is given a free trip to the Fatherland. The boys are encouraged to go over for labor service and military training with all expenses paid, while the girls are given "cultural" tours.

These children are compelled, moreover, to spy on their very parents and report the kind of conversation heard at home. They are taught that Hitler and other Nazis are heroes because they worked clandestinely and illegally for revolution, the obvious implication being that the honorable and proper course for them lies in working against their own Argentine state so that they, too, may someday be the heroes of a great Fatherland which spreads over South America as well as Europe. The German Mahomet never forgets to ally self-interest and aggrandizement with the spiritual force of the New World movement.

This has led directly to separatist movements in Misiones and Patagonia. The Germans became over-

confident after the easy victory at Munich; and separatism is likely to boomerang, because Buenos Aires newspapers like *Crítica* have exposed their activities, aroused public opinion, and brought the intervention of federal authorities.

In Patagonia the German agents were promising free land to colonists and independence from federal laws and had enlisted thousands in a movement to form an independent state—German efforts being facilitated by Patagonia's desire for greater autonomy. The agents not only distributed treasonable literature but even organized public meetings, and Buenos Aires authorities found arms, ammunition, and bombs cached in underground depots near Baha Blanca and Santa Rosa y Pico. The "Tommy guns" and bombs were of the same type I saw distributed among the Sudeten "separatists" of Czechoslovakia.

Dr. Alberto J. Grassi, president of the territorial development society, which wants more autonomy for Patagonia, denounced the activities of the Nazis, whom he described as false friends. He was continually threatened with death thereafter by Germans who wrote and telephoned him. Such efforts are not likely to flower until the Buenos Aires press is gagged, but they make Argentinians think.

7

Germany and Italy are trying desperately in Argentina, as elsewhere in South America, to use the air

arm to catch popular imagination, win the sympathy of army air personnel, and stimulate sales to governments.

Germany has extended her passenger air services throughout South America until Lufthansa and its Condor subsidiary hold first over any other line. This has been done primarily by cutting tickets to 40 per cent less than prices on Pan-American Airways, the American concern which, while it enjoys an air-mail subsidy, remains, nevertheless, a commercial concern which must show a profit.

The Italians are ready to start service soon on a transatlantic line flying to Rio de Janeiro. Pioneer flights were made by Bruno Mussolini, the dictator's son, and by Colonel Biseo, the Duce's favorite pilot and personal instructor.

Such flights appeal to the Latin imagination; but when Bruno Mussolini and his three trimotored Savoia land planes reached Rio two years ago, the Argentine newspapers agitated anti-Italian feeling. The pilots were to have flown on to Buenos Aires but canceled their flight.

Popular reaction boomeranged in the same way this year when two Italian cruisers made a "good will" visit. A storm was raging when they were to have weighed anchor from Rio de Janeiro and the harbor authorities advised them not to put out. "We must reach Montevideo by a certain date and we sail on time," said the Italians. They proudly and punctually steamed one of their cruisers onto the rocks, to the

mirth of both Rio and Buenos Aires. In Montevideo they had no better luck when Italian sailors became embroiled with Uruguayan workers and were severely beaten. When they wanted to lay a wreath in Buenos Aires, the Argentine authorities gave the "good will" detachment a police escort so numerous and so heavily armed that the Italians seemed to be under arrest.

In the air it is different, because there they deal not with popular sentiment but with governments and special social groups. In addition to Pan-American Airways and Air France there are four air lines operating in Argentina. The German Condor Syndicate is outright German, and cost is no concern in its competition. Aeroposta Argentina is Argentine, but Germany has given it planes on more than easy terms and trained its pilots. Corporación Sudamericana de Servicios Aéreos is Argentine, but Italy has given it planes at dirt-cheap prices and easy terms after visits to Mussolini by Francisco Mendez Gonzalves, head of the Argentine civil aeronautics. A final Uruguayan line between Montevideo and Buenos Aires flies all-German equipment and German-trained pilots.

It is only a matter of time, of course, before German-equipped, German-trained, and German-influenced air services begin to urge the Argentine government to discriminate in their behalf against American companies. The Germans will play on the rising nationalism of the Argentines all the more easily because German-equipped lines are noticeably inferior to long-established services flying Douglas transports.

These inevitable comparisons are not good. In two instances they have been brutally plain. Argentina has an army aviation factory at Córdoba—plenty of space and lots of machinery—but engineers trained in Germany, Italy, and France. On their record of results a presidential decree has prohibited further manufacture of planes designed by these European-trained engineers. The factory is working now on Curtiss-Wright patents for Hawk pursuits and Wright Cyclone motors. Similarly, the Europeans persuaded Argentina in 1936 to hold tests before buying army planes. Italy and Germany sent crack army pilots, backed by “damn the cost” governments. United States civil companies, without governmental support, swept the boards and sold 20 Fleet trainers, 30 North American advanced trainers, 22 Martin bombers, and 30 Northrop attack planes to the army, besides 13 Martins to the navy. Out-performed, the Germans and Italians insisted on target bombings and sent up their regular army bombers with regulation sights and bombs. American civilian fliers borrowed outmoded bombs and sights from the Argentines and bested the Italians and Germans—probably by sheer luck, as one of them told me.

The Germans took this beating with the customary ill grace of the post-Versailles Teuton. They brought every form of pressure to bear on members of the government, alternately offering more trade or threatening to suspend all trade. Thereupon the Argentines bought 20 Focke-Wulf trainers and the right to manufacture them. General Goering, moreover, invited the

head of the Argentine air force to come to Berlin as his guest. The Argentine air chief, his wife, one daughter, and a servant all went to Germany at the expense of the generous Nazis. They were royally feted and perhaps out of sheer embarrassment the Argentine ordered five trimotor Junkers, two twin-engined Focke-Wulf bombers, and the right to manufacture a certain engine and air machinery. The bombers he bought were junk—two hours' flight range and no load lift—so his "free" trip can be estimated to have cost the Argentine nation not less than \$350,000 of useless expenditure. Later he was relieved of his job.

This kind of nonsense is frowned on by the Argentine Minister of War, an extremely capable man, and by the naval air arm, which has sent a number of its men to Pensacola and as a result has an enviable record of few accidents and a maximum of efficiency. The Germans and Italians try to get around these men, however, and invite scores over on free trips. They have a further advantage, which is plain if one reads the roster of the army air force. Half its personnel is of Italian origin.

Using every conceivable advantage, the Germans have even interfered recently in the naval air force, which has been 90 per cent pro-American. The navy recently bought the single-engined Junkers type and hired a German for training in blind flying. The navy as well as the army, moreover, has just bought German Siemens-Schuckert material for lighting the main naval

base at Puerto Belgrano. The army bought German for five of its airdromes. Price alone probably decided these purchases, however. American companies simply could not bid, I learned, against a German setup which scoffs at profit or at loss because it uses trade as a weapon in its political campaign of putting Argentina in the Nazi camp.

The Argentine army, subsequently, has asked for experts from the States. It got eight. This is due to the realization by the Minister of War and others that the American-trained navy fliers have better records than the European-trained army men. In January, 1938, army fliers crashed a plane at Itacambu, in Uruguay, killing the son of the President and a number of high officials, in a storm which all navy pilots rode out with safe landings.

It is plain, therefore, that despite superiority in aircraft, method, and training the United States has met difficult competition from Germany and Italy. This has been in a period when European planes were inferior and the Fascists were busy with their own rearmament. But now the Germans and Italians have perfected planes unsurpassed anywhere and can make them available for sale abroad. Since they have already outarmed Britain and France, the Fascists should be able this year and next to dump first-rate aircraft at any prices which suit their political aims. It is well to remember that while the United States produces 3600 airplanes a year Germany alone builds 12,000.

Nothing short of a miracle can keep Germany from replacing the United States in 1939 as the second exporter to Argentina after Great Britain. If the miracle is not forthcoming that will mean that "bankrupt" Germany has won Chile in 1936, Brazil in 1938, and Argentina in 1939 despite our "good neighbor" policy and our \$14,000,000,000 of buried gold.

After five years of intensive trade effort by Germany Señor Groppo, the Argentine Minister of Finance, has boldly announced that he means to reduce by 40 per cent his country's imports from the United States. He has prohibited outright the importation of certain American articles which grossed \$25,000,000 in our sales to Argentina last year.

Dollar exchange is being refused for the importation of American tin plate, optical and photographic equipment, incandescent lamps, radio bulbs, and some hundred other articles. Argentinians can no more do without radio bulbs and the like than they can do without the tin plate in which they can their corned beef. They are going to buy these goods in Europe and most of them from Germany.

This is all the more incredible if one studies the trade figures for 1938. Of Argentina's total imports in 1937 and 1938, which represented a tariff value of 1,419,438,411 pesos in 1938, the three major countries had the following percentage shares:

| | 1938 | 1937 |
|---------------------|------|------|
| Great Britain | 18.3 | 18.9 |
| United States | 17.6 | 16.4 |
| Germany | 10.1 | 10.4 |

Against these figures one must cast, however, the purchases of these countries from Argentina. In 1938 Great Britain took 31.8 per cent of all Argentina's exports, Germany took 11.5, and the United States took only 8.1 per cent, whereas in 1937 we bought 12.8 per cent of Argentina's exports and Germany took only 6.8 per cent. It is because our purchases from Argentina are so small that Señor Groppo insists on the slogan, "Buy from those who buy from us." After penalizing American business for several years, Buenos Aires now proposes frankly to shut out nearly half of our sales.

This is the grossest discrimination against the United States and it is perhaps no mere coincidence that German agents working in Argentina have claimed the credit for engineering a situation in which we lose our trade with Argentina, American concerns are driven to bankruptcy, and thousands of Argentines working for American companies are thrown out of jobs—all to the advantage of Herr Hitler.

I saw a photostatic copy of a report dated January 25, 1939, from the German organization in Argentina to Gauleiter P. G. Böhle, in Hamburg, who heads the organization of Germans abroad. I will stake my journalistic reputation on the authenticity of this document. It said in part:

"Since the beginning of January, 1939, the Argentine government has cut the importation of North American goods in such a thorough way that the measures almost approximate import prohibitions. Thus because of the quota an import of only 30 per cent in automobiles is now possible. The result of these measures, which we achieved through our influence in proper quarters, not only in the capital but also in La Plata, will become apparent and bear fruit in Argentina in two to four months.

"As the situation is exactly the same in other lines, it will result in considerable unemployment which will cause dissatisfaction not only among workmen but also among sales personnel and agents in the interior of the country.

"Today we are already in a position through our contacts with employees of non-European business firms to obtain exact information on their projected business deals. We and informed German commercial firms are placed, therefore, in the position to make more difficult the consummation of pending transactions of North American firms and even to prevent them altogether."

Some allowance must be made for the boastfulness of German agents in the field reporting to headquarters. By their letter they appear to claim credit for having influenced men in the federal government like Señor Groppo, the finance minister, and to have mobilized for their campaign influential politicians in the provincial government at La Plata, where a number

of men are openly Fascist and anti-American. The trend toward compensation agreements and the slogan "Buy from those who buy from us" were already well pronounced in Argentina; the shortage of foreign exchange was already a very real problem; and it is reasonable to believe that the activity of the German agents against the United States was only a contributing factor.

No allowance for boastfulness need be made at all in the claim that German agents obtain exact information of the plans of American firms. Their commercial espionage is perfectly organized; virtually every German is compelled to be a spy and their agents are spread through every type of business house and through the various ministries of the Argentine government. Similarly the German organization will be in a position to stir anti-American feeling as American firms are compelled to discharge Argentine employees and be able, moreover, to profit by the dissolution of American sales forces. For Germany's sales now must be made through governmental quarters, since the Argentine public prefers American goods and Germany has not been able to build a sales organization that can compete with Americans.

The German government, employing the Aski, or compensated mark, builds a balance by enormous outright purchases. It has bought 50,000 tons of beef a year for the past two years, for instance. This type of purchase, which can be paid for only by Argentine purchases in Germany, the employment of commercial

spies in other companies, and the fact that Germany adjusts her prices with no concern for profit, make it increasingly difficult for American houses to compete with the Nazis.

Baldwin, Pullman, and General Electric were no match, a few weeks ago, for instance, for the Nazi organization. The American companies were just underbid by Germany on orders for 64 Diesel electric locomotives and 900 freight cars—a job which might have given employment to 10,000 American workmen. The Germans did not underbid General Electric, but the Germans got the order. When something went wrong in the espionage and the Germans had not matched the Americans on the portion of the bidding by General Electric, Berlin simply saw the proper quarters in the government and agreed to buy 15,000,000 pesos' worth of Argentine goods. Germany got the order.

This is typical of what American firms have been up against. Now Argentina has prohibited entirely the importation of some hundred-odd articles which constituted the bulk of our exports and says frankly that our trade is to be reduced 40 per cent. Cut American trade 40 per cent and increase Germany's 40, and the Nazi agents in Buenos Aires will not have boasted idly of their labors.

9

The Argentine crisis which plays into Germany's hands and threatens to rupture Argentine-American

trade relations grew out of an exchange problem that was not of the country's making.

Agricultural prices fell abruptly in 1929; and when the year ended with an unfavorable trade balance of 375,000,000 pesos, Argentina was forced to abandon the gold standard.

The policy of "buying from those who buy from you"—always dangerous for a country which lives by its ability to export in the world market—was an inspiration of the British. In 1933 the Roca-Runciman agreement was worked out by the Englishman who later betrayed Czechoslovakia.

Roughly the Argentines agreed to set aside all gold and exchange derived from sales to the British and use this only for purchases from Great Britain or for payments to that country on loans and similar services. The money acquired from the sale of meat in England, for instance, could not be used to pay in America for the tin plate in which that meat was canned: money from England had to buy goods from England.

Newspapers like *La Prensa* protested that Argentina was abdicating its independence and losing all freedom of action. How right they were Argentina soon was to see. As the system of balanced trade was extended to other countries, less and less exchange remained available in the "free" exchange market. The Argentine public wanted American goods; but the policy of the government slowly reduced the amount of "free" exchange with which the public could make such purchases, and the country gradually became

more subservient to the trade policies of those with whom it had compensation agreements.

Unlike the United States, which has an enormous favorable balance, Argentina can buy in goods abroad only the equivalent of the gold the country takes in from sales abroad or from tourists, lenders, and the like. The measure of prosperity or hard times in the national budget is not internal but a matter of exports and export prices, for while foreign trade is only 10 per cent of the total in the United States it is a third of Argentina's trade.

The culmination of the policy of "buying from those who buy from Argentina"—attractive on paper but bad in practice—came last year. Argentina had bad crops. Instead of selling in America, where she might have benefited more, her goods went to the compensation countries. She lost her North American market, but the Argentine demand for American goods grew greater.

As a result, the United States during the first eight months of 1938 sold \$60,000,000 of goods—mostly automobiles, trucks, and farm implements—to Argentina. But American purchases from the Argentine fell to only \$25,000,000 as compared with American purchases of \$115,000,000 in the first eight months of 1937. This inspired the Argentines to their final discrimination against the United States—the avowed policy of cutting imports from North America 40 per cent.

It is like a poker game in which you start tampering with the rules. All the chips taken from Britain and Germany in the course of play are marked off for return to them alone. As a result, there get to be fewer and fewer chips for playing with Uncle Sam and others who are not in on the tampered rules.

This became doubly serious when the Gaucho in a moment of optimism suddenly scooped up all the blue chips not marked off for Britain, Germany, and the "tampered rule club" and paid up an unproportionate share of its debts—not debts contracted in the poker game of trade but municipal, railway, and other loans. The Gaucho even used chips taken in from Uncle Sam to pay John Bull and others.

The game has become exceedingly difficult as a result. The Gaucho has great stacks of blue chips before him. But he has asked Uncle Sam to get out of the game because those blues are marked off for countries like Britain and Germany. The Gaucho does not want to play with Uncle Sam until he is richer or unless Uncle Sam will lend him money.

Now, this is the antithesis of the Hull trade policy. Hull argues that the chips should be the same for everybody sitting in the game—the same value and equally accessible for payments to any player. The Gaucho and Uncle Sam went on playing with different rules simply because neither wanted to start any fireworks. But early this year the Gaucho got ugly. He put a hand on John Bull's shoulder and another on

Herr Hitler's shoulder. Bobbing his head toward Uncle Sam, he said, "Get out of the game—I don't like your way of playing, anyway."

This is the situation. It is as simple as poker. Uncle Sam must alter the Hull trade policy, with all that means elsewhere, or he must force the Gaucho to play by the rules of the Hull policy—the game according to Hoyle. Otherwise he gets out of the game. His getting out will hurt him less than the Gaucho; but the Gaucho is pretty young and pretty cocky, and he simply does not see it that way. He is playing Uncle Sam for a sucker and feeling pretty heady about it. The only man who wins, of course, is Herr Hitler, who eggs the Gaucho on, telling him that Uncle Sam is a Jewish Communist and that the game according to Hoyle is finished. John Bull does not like Hitler's line and would prefer the game according to Hoyle; but John Bull is badly in the red, trying desperately for a comeback and not so sure himself that democracy and sound economics are not finished. And John Bull is not talking very loud these days.

Now, if Uncle Sam and the Gaucho understand each other they can work this thing out. But Uncle Sam has got to show that he is more than a sucker. He has got to show that a good neighbor can distinguish in his own turn between his neighbors—the good ones and the bad. He has got to understand the Gaucho, who is not so dumb or not so bad—only very much as Uncle Sam was at his age.

And the Gaucho and Uncle Sam have got to under-

stand Herr Hitler and what he is about. For the German game in Argentina is possible for the same reasons which enabled the Germans to increase their trade with Central Europe from 20 per cent five years ago to 60 per cent today. Bad money drives good money out and bad trade drives out good trade, so that just as German gains in Europe hurt Britain and France so German gains in South America must slowly close markets to the United States despite the advantages of trading with "going concerns" like America, Britain, and France.

South American countries are like Southeastern European countries. And they had the same problems when Hitler and Schacht launched their trade drive. They were producers of primary products, world market prices had fallen away, and these hard-pressed governments had a surplus of agricultural goods and a shortage of exchange—a situation which the Germans were quick to exploit.

Germans offered barter trade—German machinery and farm implements for raw materials and foodstuffs. The Germans foxily bought more than they sold, so that in each instance they built up frozen credits which the smaller countries could hope to collect only if they increased their trade with Germany. Similarly, credits were offered with the same purpose and the same result. The more these countries traded with Germany on the basis of barter and the Askani mark the more they became purveyors to Berlin and the less they had in goods or exchange for trade with "free" countries. In

addition, Germany carefully bought such large portions of key crops that vested groups in each country became entirely dependent upon the German market, and the German market alone. The mere threat of no more purchases by Germany could panic these groups, whose agitation could paralyze action by their governments. Independence of action disappeared, and Germany was increasingly able to dictate the trade and financial policies of the countries of Southeastern Europe.

The same campaign has begun in South America. It is alarming if one realizes that for Germany trade is not an end in itself but the means toward a more far-reaching political goal. The Germans say that in South America as in Southeastern Europe the Nazi campaign cannot fail. When trade with Germany reduces a small predominantly agricultural country to dire straits, the country goes into revolution. For this moment the German agents are prepared in Argentina already, just as they have been prepared in the Balkans. It is their chance to turn the country Nazi.

10

The Argentines repeated to me *ad infinitum* one argument with which they try to justify their discriminatory measures against the United States—the 20 per cent advantage they give other countries in exchange rates, the prior-permit system enforced against American exporters, and the hundred-odd American

articles placed on the list of prohibited imports. This argument is their suddenly worsened trade balance with us last year.

When our purchases fell from \$115,000,000 to \$25,000,000 the Argentines were badly frightened, and with the German agents making the most of this fear complex the Argentines have stubbornly closed their eyes to the facts. The Germans whispered that it was the American "recession" which cut our imports, and they have added that this is to be expected in the fluctuations which characterize a capitalism which must disappear, like democracy, before the German system. The fact is that, in addition to the recession, Argentina had a bad crop year and offered little which the American market could buy.

The Germans argue that Argentina should buy from those who buy from Argentina. But what are the facts? The facts are plain. Over the past twenty-eight years the United States has consistently bought more from Argentina than any other country except Great Britain. We have been, and we are, Argentina's second-best export market. During the past twenty-eight years, according to Argentina's official statistics, Argentine exports were as follows:

| | |
|---------------------|---------------------|
| United States | 5,101,000,000 pesos |
| Germany | 3,481,000,000 pesos |
| France | 3,402,000,000 pesos |
| Netherlands | 2,864,400,000 pesos |
| Italy | 2,071,100,000 pesos |

In the twenty-eight-year period the United States imported from Argentina 46 per cent more than Germany, 47 per cent more than France, 78 per cent more than the Netherlands, and 147 per cent more than Italy.

And yet, instead of treating the United States as most countries would treat their second-best customer, Argentina has flaunted American business interests and penalized them as they have never been penalized elsewhere. A cheaper American bid on electric-railway equipment, despite the fact that the Germans enjoy a 20 per cent advantage in exchange, was thrown in the wastebasket and the contract granted, on the ground of "buy from those who buy from us," to a Germany which has bought 47 per cent less than the United States. On the same argument American radios are shut out while Argentina buys Dutch radios from a Netherlands which has imported 78 per cent less than the United States. The more one analyzes the facts the more one thinks that the Germans are not idly boasting when they say that their influence has prevailed in Argentina.

The Argentine statistics over the twenty-eight-year period are representative, moreover. The United States was Argentina's best customer after Great Britain in 1935, 1936, and 1937. She fell to third place in 1938 alone. But even then, after American purchases for the first eight months of 1938 had dropped to only \$25,000,000, the American market took so much Argentine goods in the last four months that the total

for the year reached the not inconsiderable sum of \$42,000,000. And, despite Argentina's high-handed discrimination, the United States bought so much in January, 1939, that the figures show an increase of 57 per cent over January, 1938, which would indicate that last year was exceptional.

The Argentines repeated a second argument to justify their cutting imports from America by 40 per cent. They bewailed our sanitary restrictions, which shut out Argentine meat because of the hoof-and-mouth disease. It is not enough to explain that the country is rife with the disease or that our legislation applies to twenty other countries. The cattle men control the clique which governs Argentina, the rapid development of the country is ascribed to the prosperity brought by the *frigoríficos*, the production of meat is relatively free from the ups and downs of market and price which make grain growing such a gamble, and, finally, the country wants sentimentally to export more meat. This is all the more difficult to understand when one sees that pasture land is virtually all utilized and that the trend in the country is away from cattle and toward grains. But Germany is buying 50,000 tons of meat a year, and German whippers blind Argentines to the facts.

The first fact—and I found this unknown both to the Minister of Agriculture and the Minister of Foreign Affairs—is that the United States buys more in linseed from Argentina than Great Britain buys in beef. And yet no Argentine talks of linseed; he talks

only of beef. For that matter, the British have even invaded Argentina and stormed Buenos Aires; but the British are "our friends because they buy beef," while the United States is the "land of Yankee imperialism."

The second fact is equally important. Our purchases from the livestock industry are as important as Britain's purchases of chilled and frozen meats. Argentina's official statistics show that during the years 1933-37, inclusive, the United States bought 15.5 per cent of the wool, 23.1 per cent of the hides and skins, 22.1 per cent of the cattle by-products, and 25 per cent of the canned meats exported by Argentina. What would be the price of Argentine meat if we did not buy these products? Production costs would be so ruinous that Argentina could not keep its British and other markets.

These are facts. It is incredible that Germany's hundreds of whispering agents and her influence in the government should have closed Argentine eyes to such facts. For whatever the Argentines told me—officials of the Finance Ministry included—the fact is that Argentina has been persuaded to divert its trade to those countries with which it has compensation agreements. There is no economic justification for such a policy and no political justification—unless, of course, the governing class is willing to see the country turn Fascist to the German tune.

In the financial field there is one additional and overwhelming fact. Argentina enjoyed favorable balances in the years 1935, 1936, and 1937. There was a

surplus dollar balance of \$50,000,000 built up in those three years. This was not used for current imports from the United States, and might have been available as a reserve against the bad year of 1938. Finally, last year's unfavorable balance of \$27,000,000 was almost wiped out by loans, for during the last half of 1938 American bankers lent Argentina \$25,000,000.

The final fact is that Argentina's plight is due in no small measure to her own trade policy. She has trapped herself with her own "tampered rules," just as the Balkans trapped themselves by compensation trade. Argentina ought to be able in a critical year to curtail certain imports; now she can only shut down on countries with whom she does not barter. And those countries could be her great markets of the future.

The Gaucho, like the Balkan, has closed his eyes and listened to the plausibilities of Herr Hitler who, unlike the Yankee imperialist, only wishes the Gaucho well—well in the Nazi camp.

11

Our trade relations with Argentina and that country's discrimination against the United States in favor of Germany, Great Britain, and certain other European countries have become a political problem, and it is not likely to be solved except politically.

One of our important markets is to be slashed in half, long-established American business houses are about to be driven into bankruptcy, and Germany is

being given a chance to wrest first place in trade from the United States in a third ABC power of South America.

And yet a great deal more than these things is involved. How we work out our relations with Argentina will affect our prestige and position in the whole of Latin America. The Unholy Alliance of Germany, Italy, and Japan sees in this crisis such a chance as the Holy Alliance—for which the Monroe Doctrine was evolved—never had.

There is little criticism any longer of the "good neighbor" policy in theory. Evolved by Republicans and consummated by Democrats, it is now a national policy which the country as a whole is glad to substitute for "dollar diplomacy." It has won us the good will of our southern neighbors at a time when that is vital in this post-Munich era.

And yet if one studies our problem with Argentina it seems obvious that the "good neighbor" policy is not enough. South Americans respect force and success as much as any people in this pragmatic period. And they are quick to exploit weakness. Our leniency since Mexico's seizure of American properties to a lesser degree and our attitude in the face of Argentina primarily have led South Americans generally to conclude that Uncle Sam is not so much a "good neighbor" as a "sucker"—a "sucker" who cannot discriminate between his own neighbors, good and bad.

This feeling was noticeable at the Pan-American Conference at Lima, Peru. Argentina attacked every

position taken by the United States, and Secretary Hull and his colleagues yielded in every instance. Brazil, Cuba, Mexico, and certain other "good neighbors" took extreme positions in defense of the North American point of view, only to be abandoned.

"You are making a mess of things," several of these delegates told me. "We defend your position, gain the enmity of Argentina, and then find that you never stand firm against Argentina. We have won Argentine enmity without gaining American gratitude. You are everybody's friend and nobody's friend."

Later in La Paz, Bolivia, I found the same feeling that before Argentina Uncle Sam always yields. The Bolivians made an arrangement with the Argentines for the marketing of petroleum and then seized the Standard Oil wells. "The American government will not support Standard Oil," said the Bolivian President publicly, "because the United States is afraid to quarrel with Argentina." I am not sure Standard Oil merits much governmental support on its record in Bolivia, but I do feel certain that Washington's policy ought not to give the dictator of Bolivia the right to think and speak as he does.

Brazil is as friendly toward the United States as any South American country, and this is a realistic, permanent friendship based upon Brazil's favorable trade balance and her fear that she and the United States may bear the brunt when Hitler and the Unholy Alliance attack.

And yet when Brazil asked last year for the lease of

American destroyers and Secretary Hull agreed, the project was vetoed. Argentina vetoed it. This was at a moment when the dictator of Brazil had swung from the Nazi to the Washington camp; at a moment when Argentina was deliberately championing an anti-American point of view politically under the Italo-ophile Foreign Minister, Cantilo.

At the end of the year the United States had a large surplus of wheat which it wanted to sell abroad. Brazil wanted to buy this wheat. There was no question of dumping, since the price would have been subsidized. The wheat deal was vetoed. Argentina vetoed it. This was at a moment when Argentina sold her wheat to Brazil only because American purchases from that country gave the Brazilians dollar exchange and enabled them to buy abroad; at a moment when Argentina was discriminating against both the United States and Brazil—imposing upon both a 20 per cent surcharge for exchange.

Now the United States wants good relations with Argentina. But Argentina needs our friendship even more than we need hers. And yet she is discriminating against us commercially as no other country has and she treats us with a truculence we have not encountered since we fought the War of 1812 to put a stop to Britain's high-handed treatment of American shipping.

If the United States finds occasion to show South America that Uncle Sam can be a "good neighbor" without being a "sucker," that occasion will try our

diplomacy as it has rarely been tried. To make the seizure of American property in Mexico or other countries the test case will prove dangerous in the extreme. The nationalism which is sweeping Latin America is world-wide and it began long before the "good neighbor" policy. The American interests whose property has been seized would not all like to go into open court before a fair tribunal. If just compensation is arranged, there is no right by which any South American country can be barred from nationalizing such properties as it sees fit. These countries are sovereign states. And if the United States used force or pressure in Mexico and such lands, only a smoother diplomacy than Washington has yet displayed could prevent a wave of anti-American feeling which would wash the "good neighbor" policy and its fruits onto German shores.

The case of Argentina is very different. There is no other country in the Southern continent which does not marvel at the generosity and patience of Uncle Sam with that country. If the United States has won bad will in the past as the land of Yankee imperialists, the Argentines today are called the Yankees of the South; and countries like Paraguay, Bolivia, and Uruguay have already been brought within their sphere of influence, while the Chileans look anxiously at their Argentine frontier and the Brazilians speak openly of their fear of Argentine imperialism.

For of all the countries of South America Argentina is the most powerful and the most expansionist. Small in population, its people are all-European and they

constantly remind the others of their Indian and Negro blood. Progressive, the Argentines can boast that their bonds stand high in world markets and they do not hesitate to make comparisons with unhappier neighbors. Decidedly, Argentina is a country—"the youngest great nation."

With such a neighbor—whose sins are only the sins of youth—the United States need not quarrel. But before such a country the United States need not abdicate. The Argentine government attacks American policy and it discriminates against American commerce. Washington would be well advised to protect both—not only for the sake of relations between the two countries but for the sake of our relations with the whole of Latin America.

The United States ought to put some of its cards on the table and make a final desperate effort to come to a trade agreement. If these cards do not convince Buenos Aires, then Washington ought to black-list Argentina as it has already black-listed Germany and Australia for their unfair discrimination.

Putting the cards on the table should be enough. The United States can shut down on the importation of linseed, skins, hides, and the like. The United States can sell wheat to Brazil, displacing Argentina in that market. The country could scarcely brave the black-listing. The government of Ortiz is already shaky. His government faces a loss of 80,000,000 pesos from guaranteeing a minimum price for wheat and looks toward a budget deficit of 200,000,000 pesos at a time when

the exchange position has already required the export of some \$30,000,000 in gold to hold the peso steady.

If the political terrain were prepared, the Argentine government would be less reluctant to see the immediate advantages to their country of a trade treaty. A reciprocal tariff ought to bring reduced schedules which would increase Argentine exports to the United States by \$40,000,000 to \$50,000,000 annually. It is estimated that tariff reductions would increase American purchases of linseed by \$20,000,000 and of hides and skins by \$10,000,000. The results in crosscurrents of trade are incalculable, just as Argentina has found a market through our trade treaty with Brazil and just as she sells more meat in England because our trade treaty with Canada lets in to the United States meat which once took the English market.

Argentina's legitimate concern about exchange and her European markets could be met. The United States could ask only a "fair share" of the Argentine market, this being determined on the basis of a percentage of Argentine imports in given commodities in a representative period. The United States could agree to restrictions in bad years provided other countries were restricted proportionally.

But a treaty seems impossible without the threat. If the threat is too long delayed, Argentina—though she does not know it—can be listed in the German camp.

VI

BRAZIL, the South American "ally" to whom we have just extended loans, is a fabulous land. It is as big as the United States with Texas thrown in again. There is room within its generous frontiers for sixty-five Englands. Along its 4000 miles of Atlantic coastline some 45,000,000 people dwell. It is a Portuguese-speaking country as big as half of South America, with a population as great as all the Spanish-speaking portions of the Southern continent combined.

Spain and Portugal, by the treaty of Tordesillas of 1494, divided between them the undiscovered world. To Portugal went all land east of a line drawn from pole to pole, 100 leagues west of the Cape Verde Isles—in short that vast eastward bulge of South America which is now known as Brazil.

Portugal not only ruled Brazil; Brazil also ruled Portugal, for when Napoleon invaded the mother country in 1807 Prince João and his court fled to the New World. Returning to Lisbon after thirteen years of benign rule which left its cultural impress, João placed his young son, Dom Pedro, in charge of Brazil, with a parting admonition that should a movement for independence come Pedro was to seize the crown before

another did. Dom Pedro took the throne of an independent Brazil in 1822. He and his son, Dom Pedro II, ruled the land for sixty-seven years, accustoming its conglomerate population to authoritarian rule and sparing the young country the revolutions which sporadically tore at the Spanish-speaking republics. In their hearts the Brazilians today cherish the memory of the Pedros and that perhaps is why they are an easygoing, peace-loving people who find their Spanish neighbors harsh, just as the Spanish tongue seems to rasp after one has heard the liquid softness of the Portuguese.

And that is also why they are content, no doubt, to grumble and accept the rule of Getulio Vargas. Vargas is as hard as modern concrete reenforced with steel, and yet he is an understanding and paternal man like some king out of old Lisbon. And so he rules unopposed over one of the vastest empires in the world—a little man who is the dictator of a great and fabulous land.

For Brazil is fabulous in wealth as in extent. I could see it in the ranches and the well-kept farms in the temperate southern regions of Rio Grande do Sul when my airplane landed at Porto Alegre, populated largely by Germans. I could see it in the red-clay highlands of São Paulo, where not merely coffee but sugar, cotton, and fruits flourish in subtropical luxuriance and where hospitality was extended me by a family which counts its coffee trees literally by the million and tends them with Italian immigrants. I could see it in that most beautiful of all harbors, Rio de Janeiro, where

cranes were loading manganese and iron ore as feverishly as it has not been loaded since the World War—the sinews of a new war, mined in peaceful, ageless Minas Geraes to serve the little men who are having their hour in Europe today. I could see it when my boat touched at Bahia, capital of a lush tropical province, where the very air is heavy with the cocoa, the tobacco, the coffee, and castor beans and where half the population is too indolent to work when fish is to be had from the river and the uncultivated mango fruit falls into a lazy man's hands. And I could imagine it along the incredible sweep of the Amazon, mightiest of all rivers, with the rubber and the hard-wood trees growing in rank profusion, and in vast, partially explored Matto Grosso, where some say there is mineral wealth to rival Minas Geraes—as if such a thing could be.

For God has blessed this country of gold and diamonds, butterflies and monkeys, until its people say in their soft Portuguese, "God is a Brazilian." Not merely the laughing Negroes, or those whose forebears added the chocolate touch of Negro and Indian, but even the pure-blooded Portuguese. He, too, says with a diffident gesture of apology, "God is a Brazilian."

The riches with which God has favored Brazil are shipped around the world. The country produces 67 per cent of the world's coffee output and exports 62 per cent of the world's consumption—\$150,000,000 worth of coffee exports a year. Cotton cultivation has been extended rapidly from 515 tons in 1932 to 236,-

181 tons in 1937—so that \$65,000,000 worth of cotton is exported annually into markets once enjoyed by the United States. Brazil is the world's second producer of cocoa, moreover, the value of exports from 1934 to 1937 averaging \$13,495,000 annually. Corn, sugar, citrus fruits, bananas, grapes, rice, beans, manioc, and tobacco follow in importance from this cornucopia.

Forest products average \$26,640,000 a year and mineral production is estimated at \$16,200,000 in a country where such resources are largely unsurveyed and undeveloped. Gold and diamonds remain stable sources of income where railways are lacking, and with crystal, lead ore, and mica exploited little is done yet with vast stores of manganese and iron ore. There are some who estimate that Brazil has more unexploited iron than any other country in the world.

Industry has bounded forward in the past ten years and industrial production for all Brazil is now valued at \$480,000,000. Cotton textiles have shown the most progress, and the domestic consumption in the cheaper grades of piece goods is now met by Brazilian industry, which is almost self-sufficient in cement, footwear, and tobacco products and shows steady progress in the working of metals and in the manufacture of chemicals, pharmaceuticals, and paper products.

Amid such wealth the masses live in poverty. Where God is a Brazilian the Brazilian is frequently little removed from the animal. Not more than 15 per cent of the population can purchase anything but the meager necessities of life. Of this 15 per cent not more

than a third (2,300,000) are regarded as potential purchasers of American automobiles, electric refrigerators, radios, washing machines, and the like. According to the excellent *Commercial Travellers' Guide to Latin America*, prepared by the United States Department of Commerce, only one in every 12 families lives in a wired home, one in 22 families owns a radio set, one in every 433 families owns an electric refrigerator, one in every 50 families has a telephone, and one in every 102 families owns an automobile. This is for the country as a whole. Of course the level is much higher on the seacoast fringe. In the interior agricultural workers can purchase little beyond cotton cloth and similar articles of domestic manufacture. Even more skilled workers, installing automatic conveyors for loading sugar, make only the equivalent of fifteen cents for a ten-hour workday, I found in Bahia, while the average monthly salary for commercial employees is about 300 milreis, or \$18 a month.

With such natural wealth and such backward social conditions it is no wonder that Brazil tempts expansionist powers like Germany, Italy, and Japan. The southern panhandle of Rio Grande do Sul and Santa Catharina numbers 500,000 Germans, while in São Paulo and other provinces there are 1,500,000 Italians, the latter well assimilated, the former not at all. In addition there are some 200,000 Japanese. Even before the World War Germany had her eye on Brazil as a future German colony.

With Germany expansionist once again under Herr

Hitler, Brazil has been troubled with German ambitions and German agents. German bombers could fly to Brazil today; and if Germany wrested the Cape Verde Isles from Portugal or regained her African colonies, those bombers could fly to Brazil and return to their bases. The laughing, happy-go-lucky Brazilian has sobered and consequently is a very thoughtful citizen today. He has reason to worry about separatist movements in a vast land which has already known civil war. He has reason to worry about an uprising of the German population which might coincide with the arrival of German bombers and German ships. And he watches his Italian and Polish minorities, too. He also keeps an eye on Uncle Sam—his best friend in this curious post-Munich world.

2

Brazil traditionally has two problems. The first is coffee, the country's chief industry, which has suffered from overproduction and low prices until trees valued at \$3,500,000,000 in 1928 represent an investment today which is closer to \$800,000,000. The second is rivalry between the states, the real threat to federal authority, which has already brought the bloodiest internecine struggle the New World has experienced since the American civil war.

Getulio Vargas, the dictator, exploited both to become the absolute ruler of Brazil. And absolute dictator he is, for this little man, only five feet four inches

tall, whom I found in private conversation to be amiable but hard, has smashed all opposition from every quarter. Since seizing power by violence in 1930, he has destroyed "constitutionalism," "Communism," and "Fascism," set aside the constitution, written himself another, and set that aside, too. He now rules what he has invented himself—the "New State."

Until 1930—that is until Vargas—Brazil was governed by the two rich provinces of São Paulo and Minas Geraes. The one produced the coffee and the other the mineral wealth of the country, and in vain did Rio Grande do Sul in the south and Bahia and Pernambuco in the north seek their share of federal control and federal patronage. These provinces felt that they fared little better than the sparsely developed regions of Matto Grosso, Amazonas, or Pará. São Paulo and Minas Geraes stood together and they rotated the presidency.

As coffee growers, the Paulistas governed Brazil for the benefit of the coffee industry. A billion and a half dollars had been borrowed abroad before the World War and afterward another billion was raised. Most of this money went first into the overproduction of coffee and then into storing and burning that commodity in a desperate effort to control supply and price. About 16,000,000 bags of Brazilian coffee are consumed annually, but with the depression twice this much was stored and in a single year 12,000,000 bags were burned. And still the price of coffee dropped from twenty cents to five cents a pound. The other regions of Brazil com-

plained that the government favored the coffee growers and neglected other regions and other areas.

Opposition elements found their opportunity in 1930. President Washington Luis Pereira de Sousa, a Paulista, violated the tacit understanding that the presidency was to go to a Minas Geraes politician. Luis supported Julio Prestes, another Paulista. Against him stood Getulio Vargas, the youthful political boss of Rio Grande do Sul, a liberal from the south with the backing of Minas Geraes. Prestes, the Paulista, won the election; but Vargas, with only 700,000 out of the 2,000,000 votes cast, protested fraudulence at the polls, which was undoubtedly true. After weeks of fighting, Vargas established himself in Rio de Janeiro as the President of Brazil with the general support of a much-abused and hopeful nation.

The Vargas coup ended rule by the Paulistas, though they later went into revolt and civil war. Those who had hoped for democratic government from Vargas were deceived. He would not return to constitutional government. First there was a revolt in the Pernambuco region by those who stood on the constitution, but this was put down. Then in 1932 São Paulo went into civil war. After three months of bloodshed this, too, was quelled. The Paulistas made their bid but failed.

I found the Paulistas still bitter in Santos and São Paulo. An influential Brazilian explained their mentality. "Have you ever seen charcoal made?" he asked. "Well, the fire is covered with clay and only a little

smoke comes out, though underneath the embers burn and glow. You have found people here bitter—the real people who produce the wealth of Brazil. That bitterness is only a little smoke. São Paulo and the country bide their time, but they glow like red embers.” This is true, but in Vargas São Paulo “and the country” meet a man who is wily, resourceful, strong, and dedicated to his country.

These qualities gave him the absolute mastery of his country in three years; and by 1934 he had a new constitution elaborated by his own assembly, which promptly named him President for another four-year term. The Vargas draft which replaced Brazil’s replica of the American constitution showed the influence of totalitarian ideas. Centralization was its foremost contribution in a country of wrangling and quasi-independent states, but it also reflected the country’s increasing nationalism and the trend toward socialization.

Powers were transferred from the states to the federal government. The prerogatives of the President were somewhat curtailed by a Senate and a Chamber of Deputies, with one fifth of the latter body named by professional and trade associations. An official brains trust was attached to ministers and could not be overriden when the experts were unanimous. The constitution required that a majority of the directors of public utilities should be Brazilian and made provision for the nationalization of industry, banking, and the like. The rising nationalism was further exploited

to reduce immigration to a level absurdly low for a country which needs labor sorely. After extending the vote to women and maintaining the separation of church and state, the constitution gave the country a "new deal" in social relations. It specifically limited the work week to six days of eight hours, made provision for social insurance, compulsory holidays with pay, and indemnity for unjust dismissal, and it also created a ministry of public relief.

Having seized power in 1930 and having had himself named to another four-year term in 1934, despite the specific provision of his own constitution that a President cannot succeed himself, Vargas should have faced election last year. But several developments intervened, each skillfully exploited to the advantage of Vargas, who, since the days when he was boss of Rio Grande do Sul, has shown himself to be a crafty manipulator of men and of events.

The opposition forces that played into the hands of Vargas were twofold. Many despaired of return to constitutional government and formed the alliance for national liberation which rallied liberal and left-wing groups, claiming a million adherents. Others wanted more nationalism than Vargas approved and, aping the European Fascists with whom they were in contact, they formed Integralismo with the motto "God, Family, and Nation" and also claimed a million followers. Against the first Vargas struck at the end of 1935 and in early 1936. He described them as "Communists," began a systematic persecution which pro-

voked them into revolt, and finally smashed their organization. Some 20,000 Brazilians were imprisoned, exiled, or detained—among them men of probity and position.

Against the second group Vargas employed a less direct but no less effective technique. As elections approached toward the end of 1937 there were one Fascist and two democratic candidates. Vargas allied himself with the Fascist Integralistas. Supported by them, Vargas made a coup d'état on November 10, 1937. He set up a semi-Fascist system patterned on the Catholic-Fascist idea of the corporative state. He called it the "New State." Plenio Salgado, the leader of Integralismo, rightly felt that his movement had made the Vargas coup possible and that Brazil had gone Fascist. But it is difficult for Brazil to be Fascist when its economy depends upon the democratic United States of America. Vargas double-crossed Salgado by suddenly banning Integralismo and all other political parties.

The Integralistas became an underground movement, aided by the German Nazis. On March 11, 1938, Vargas swooped down on their secret headquarters and captured, along with a number of leaders, arms and some 3000 daggers made in Germany. Then on May 11, 1938, the Integralistas struck. It was a carefully conceived but badly executed coup. The "putschists" struck simultaneously at 1 A.M. to take over the navy and to kidnap or murder Vargas, who was sleeping peacefully in old Guanabara, the palace of the Em-

peror Dom Pedro. Vargas and his ministers showed their personal courage. While one minister, still in pajamas, led troops to his rescue, Vargas stood at bay in the palace, a pistol in his hand. His family showed equal daring, especially his trusted confidante, twenty-three-year-old Alzira Vargas, his bright-eyed, charming young daughter.

This last effort, backed by the Germans, failed miserably and turned Vargas once and for all against Berlin. I found young Plenio Salgado, released from prison, and intent on writing a life of Christ. I found Vargas, older and wearier, but confident of the army whose support he has won. With "constitutionalism," "Communism," and "Fascism" smashed, Vargas rules his fabulous empire and watches the wisps of smoke that rise from the glowing embers of São Paulo.

3

"America is not the climate for European ideologies either of the right or of the left," Getulio Vargas, the President of Brazil, told me in an interview which was definitely not for publication. Vargas would not be quoted—that was our understanding.

A small man, he sits erect behind the plain desk in the French villa at Petropolis which serves as a summer "White House." His manner is cordial, but except for a twinkle which comes and goes in his bright eyes the President's face is grave. In repose it is a hard face. The man who likes to stroll unguarded about the

streets of Petropolis in conversation with the simpler citizens and who laughs so heartily at a good story seems far away from the quiet-faced, almost somber little man who sits behind a desk and ponders this post-Munich world. He likes to look an interviewer in the eye, and he talks seriously of serious things.

"The weaker countries of the world have been left to the mercy of the imperialistic powers," he said. "Brazil is a country of vast area, great resources, and scanty population. We must bury internal differences, speed the development of the country, and be able to defend ourselves.

"My government has taken measures," he continued, "to keep out all subversive influences, to curb unfriendly foreign organizations within Brazil. America is not the climate for any European ideology either of the right or of the left. We will not have them and we are bringing the armed forces of the country up to a more effective level."

I complimented the President upon the signs of internal development I had seen as we motored from Rio de Janeiro up the 2000-foot mountain of Petropolis. He was plainly pleased that I had remarked thousands of workers' homes, built by the government without interest charges at rates which, when spread over fifteen years, run roughly 10 per cent less than former rents.

"We are starting 6000 new houses for workers at São Paulo," he interjected.

Along that concrete highway from Rio to the sum-

mer capital—it might be called the “Road of Progress”—I noticed mile after mile of reclaimed marshland. Where once there had been nothing but marsh and the disease it bred, now there is rich soil being cultivated for fruit and crops under the direction of governmental agricultural experts. I told Vargas that I had heard nothing of this, despite the fact that it was obviously five times as vast a project as Mussolini’s much-publicized reclamation of the Pontine marshes.

“It is much more than five times as large,” said Vargas, twinkling.

“What should we do to improve relations between our two countries?” I asked.

“Friendly relations depend primarily upon economic cooperation,” said the President. “You are our best customer, and our relations are cordial in the extreme. We expect them to be better. We hope for much from the consequences of Aranha’s visit to Washington. We want your help. We hope that as a result of Aranha’s visit you journalists will find a great deal to write about.”

In discussing the economic situation I suggested that American capital was frightened at the nationalism which characterizes the “New State”—an understandable nationalism perhaps, for no country wants to risk its exploitation by foreign capital—but that I wondered what safeguards might be worked out for American capitalists as well as for Brazil.

The President thought there might be possibilities in cooperation on a fifty-fifty basis. American and Bra-

zilian capital could join in mutual undertakings, each taking care of its own interests for the common good.

I had been presented to Vargas by Valentim F. Boucas, of International Business Machines, a personal friend of the President. The two men began to discuss cooperation between American and Brazilian capitalists in dead earnest, entirely forgetful that I could not follow them in Portuguese. The President smilingly returned to French and his interviewer. "There are possibilities in the idea," he said.

As we concluded our talk, I suggested that the "good neighbor" policy would enable the United States to distinguish in the future between good and bad neighbors.

"Brazil has never failed," he said seriously, "to show that she is a good neighbor to the United States."

I thanked the President for our conversation, bowed, and moved toward the door.

"You know," he said, "I don't like interviews. When I want to see newspapermen I send for them."

"I don't like interviews either, Mr. President—not unless the man talks frankly and interestingly."

"Wasn't I frank and interesting?" asked Vargas, narrowing his eyes, but smiling.

"You certainly were, Mr. President."

"Well, we understand each other," he said. "I don't like interviews, but I do like North Americans. If you think our conversation was frank and interesting, then you quote me in your newspapers."

I am quoting him.

4

"Vargas has imprisoned as many men as Hitler. The constitution of his 'New State' is as totalitarian as Mussolini's. And yet, 'My good friend, Vargas,' as Roosevelt called him, stands with the United States against the European expansionists. Vargas is our Fascist ally against Fascism."

I found these sentences jotted down in my notebook. Those were my impressions after a week in Brazil. Staying on several weeks longer I am not so sure that the initial impressions are sound. I am certain that they must be qualified. Perhaps they are wrong entirely.

What is Fascism? My Brazilian friends were indignant when I said that their regime and their leader were Fascist. "How many times," they asked me heatedly, "have you sat in public places and heard Brazilians attack Vargas and the government?" A good many times and in a good many places, I had to confess. "Could people talk so freely in cafés in Berlin or Rome?" they demanded. They certainly could not, I admitted.

And yet there are 10,000 political prisoners or exiles, and the civil liberties are suspended. I know a Brazilian journalist who spent nine months in prison merely because he wrote an article which offended the *amour-propre* of the army upon which Vargas leans. The generals asked for the journalist's hide and Vargas gave it to them, though he had only written that an un-

known Negro sergeant who fought a century ago was a greater hero than some of the generals venerated in history.

"But we agree," exclaimed my Brazilian friends. "This is bad, and we hope to change it slowly. We hope to return to constitutional government. But there is a tradition in South America that the 'ins' arrest the 'outs.' There is no country in South America where a Landon could go with a Hull to a Lima conference. We will change that with time. You do things, too, which we think are stupid and savage. We cannot understand your capital punishment, for instance. Brazilians still think you are savages for murdering Hauptmann—you don't have to kill a man because he is guilty; that makes his crime yours. Vargas doesn't kill anybody. Why, even when we have a revolution fewer people are injured than you kill in putting down a strike. We don't like all these arrests, but we change our ways slowly.

"And Vargas is a democratic man," my Brazilian friends added hastily. "You will find that it is the rich who hate him most, and the Catholic Church and the workers like him best. And you said yourself that at Petropolis you saw him walking about through the shops, unescorted, and chatting on terms of equality with the townspeople, and that he goes out to the golf course unattended to play with personal friends and sits and drinks a whisky and soda afterward in the locker rooms like any other man."

"Yes, but that doesn't mean anything," I demurred.

"We used to tell a story in Italy about Mussolini. In publicizing the 'battle of the grain,' Mussolini was shucking wheat with the peasants near Forlì. There was a broad-chested, fine peasant working by the Duce's side. 'You are a fine worker, my man,' said Mussolini. 'Is there no favor I could do for you?' The worker hesitated. 'Si, Duce,' he said. 'If you could just transfer me from the Rome police force to the police station in my home town of Bologna.' "

"But Vargas isn't like Mussolini, and the men with whom he chats in the shops of Petropolis aren't detectives," said a Brazilian liberal who is against Vargas politically but insists that Brazil is not totalitarian and Vargas not Fascist.

What is Fascism? I have been a good many times to Germany and Italy and twice to Russia, as well. These regimes have many things in common. Each is a tyranny. Each suppresses the individual and glorifies the state. Each has the cult of the "leader." And yet a good many regimes in history have had these characteristics without being Fascist, just as Russia has them today and yet is not labeled "Fascist." The Brazil of Vargas is a tyranny and it suppresses individual freedom, but Brazilians—both the supporters and the enemies of Vargas—deny that Brazil is Fascist.

The thing which characterizes the German and Italian regimes from other tyrannies is the "mystique." They have a "belief" which is anti-Christian and antihumanist. They deny human progress and break with the evolutionary stream of history and de-

clare by fiat that there is a superior race, led by a superior "leader," and that the leader and the race can do no wrong. You have to see the thousands standing with tears in their eyes in the Sportspalast or around open-air loud-speakers all over Germany when der Fuehrer speaks to understand a "mystique," or stand in the Piazza Venezia and see another European "Father Divine" put a whole nation in a trance by screaming, "War—it's wonderful!"

Now, to the Brazilian the notion of the "mystique" is sheer nonsense. "Race is something to laugh at," says the Brazilian, who is compounded of Portuguese, Negro, Indian, Italian, German, Pole, and Japanese, in all the infinite possibilities of combination, and who has no sense of color line except for the "society" of several cities. "The cult of the leader is something preposterous," says the Brazilian, who plasters other advertisements—generally for antivenereal remedies—over the posters of Vargas and says in the cafés and streets with no thought of lowering his voice, "Getulio is running Brazil because he is a slick politician who makes no mistakes—if he makes a mistake he will go out on his nose."

As my cab driver—not exactly an intellectual—put it, "Why, the 'New State' is a joke. We got a congress that don't congress. But little Getulio is all right. As long as things go okay, I say let him run them. He don't interfere with us. This 'New State' is a joke. It's something to write about in the newspapers."

The very people who support the dictatorship of

Vargas most enthusiastically are bitter against the dictators of Europe. They don't like what happened to Ethiopia, Austria, Czechoslovakia, and Spain. They are equally bitter about German activities in Brazil. The Germans have a commercial house called "Lohrner's," selling surgical and optical instruments in the principal shopping street of Rio de Janeiro. This firm advertised for a clerk—"A Brazilian of Aryan origin," read the ad.

A group of students sent in a big buck Negro to apply for the job. When he was tossed out, the Brazilians wrecked the store. They are loyal to their own dictatorship because it is in the tradition of South American governments, but they do not like the "mystique" and the ideas of the European dictators.

If Vargas tries to impose European Fascist ideas upon the people of Brazil, he will go out on his nose. I am pretty certain of this after I saw a Mardi Gras carnival in Rio de Janeiro. There is nothing like it anywhere else in the world. Any dictator who tries to "regiment" a people which celebrates carnival in that fashion will no longer be "slick"—he will have made the irremediable mistake.

Carnival lasts four days, and no one sleeps much in that time. It begins at noon, and Brazilians take their costumes to their offices and change at the stroke of the clock. The poor and the well-to-do alike spend as much as three months' salary on their costumes. For months before carnival their song writers beat out new tunes and the public learns the words. For four days

there is nothing but dancing and singing, confetti throwing and drinking, in homes, in clubs, in "dancings," and in the streets. I never saw one fight. I saw no drunks except sailors from a foreign ship. I saw no liberties taken with women in the streets. And yet a whole nation frolicked in good-natured madness. At dawn, when carnival ended, workers so sleepy they nearly fell from the lampposts were taking down the decorations, shutters on stores opened again, and a whole nation went to work—went to work until it is time for carnival next year.

You cannot turn this un-European people into Fascists easily. Vargas told me that the "American climate is not made for European ideologies, either of the right or of the left." I believe him, because he is a "slick" little politician. He has played every faction that exists in Brazil against the others. And though he is the only man who has ever humiliated Hitler by booting the Germans out—ambassador, baggage, and all—he is also the man who enabled Germany to sell more goods in Brazil last year than the United States sold. And though he is "my good friend, Vargas," to that champion of democracy, President Roosevelt, he is also a dictator with a totalitarian constitution.

But don't call him a Fascist. The Brazilians won't have it.

5

A vast, rich, and undeveloped country wanting population, Brazil has been served well by immigrants

from Germany, Italy, and Japan. The Germans started coming to Rio Grande do Sul in 1835. Dom Pedro II brought an organized German colony to Blumenau in Santa Catharina in 1851. They have been coming ever since. Today there are about 1,000,000 immigrants of German origin—mostly farmers and traders—and of that number perhaps 200,000 are German-born. The Italian immigration has been even more impressive; totaling 2,000,000, of whom about 800,000 are Italian-born, they are vital in the cultivation of coffee. In the past twenty years 200,000 Japanese have flooded in, the second immigration after that of the Portuguese, whom they equal as sturdy workers whether on small farms, coffee plantations, or rubber clearings.

In a land where the labor shortage is acute—perhaps the principal problem of Brazil—these immigrants were welcomed, given extraordinary freedom, and left alone to live as they liked. This seemed a sane policy. Some Brazilians were alarmed in the days of Kaiser Wilhelm because German expansionists looked toward Brazil as a future German colony, the easier to conquer by reason of the hundreds of thousands of Germans already there. But with Versailles the Kaiser and the expansionists disappeared. Brazil breathed easier.

Then Mussolini took power in Italy, Hitler in Germany, and the expansionists in Japan. To those countries immigrants in Brazil were not Brazilians; they were Italians, Germans, and Japanese. Each country sent over agents and began to spread propaganda, to

drill and to organize the colonists. Brazil was confronted suddenly with states within the state.

The educational system in this country of high illiteracy had not been extended to foreign colonies. The Brazilians suddenly realized that in São Paulo, Paraná, Santa Catharina, and Rio Grande do Sul there were large colonies—whole cities—of Germans, Italians, and Japanese, nominally Brazilian citizens who spoke no Portuguese. Worse, the foreign tongues had been taught to blacks and Portuguese. I found Negroes from Blumenau, for instance, who spoke only German. These non-Portuguese towns and cities were organized, moreover, just as Fascists are organized in Italy and Nazis in Germany. Agents and spies were everywhere and Ku-Klux justice supplanted the state system. Brazilian citizens “committed suicide” after arguments with Nazi agents who said they had to be loyal to Hitler alone.

Alarmed, the Brazilians began to investigate. Not only were the schools full of Fascist teachers from the fatherland, but the banks and the business houses and the farmer organizations were controlled. Individuals like one Johann Hummel were arrested in Santa Maria, Santa Catharina, with a large store of arms and ammunition.

Finally in 1937 there was an Integralists’ revolution against the state. Brazil found that the local Fascists had been in contact with the German and Italian agents, had received funds and guidance from them. Vargas struck and struck hard.

The Italians assimilate easily and if left alone by Fascist agents they think of themselves as Brazilians. I confirmed this by talking with many Italo-Brazilians of every walk of life, and they even disliked talking with me in Italian. Italy, after all, is not the world power that Germany is. Vargas decided to abide the Italians and turn them, if possible, against their German allies.

To the Germans Vargas gave no quarter. He made all their activities illegal. He expelled agents and began forcibly to convert their schools into Brazilian schools. German teachers are being replaced by native-born Brazilians of non-German origin. In Paraná alone some 500 new primary schools are being opened with all-Brazilian teaching staffs. All foreigners entering the country now are not merely checked, they are registered and their fingerprints are taken. And Brazilian military garrisons are now being constructed in German regions.

The Germans fought Vargas tooth and nail. They sent over Ritter, one of their ablest men, an economist who had worked for liberal, pre-Nazi Germany. He wheedled and threatened and conspired. Finally Vargas simply explained in August, 1938, that he was no longer persona grata. What Schuschnigg, of Austria, and Benes, of Czechoslovakia, tried unsuccessfully Vargas did. He stood up to Hitler. He had the advantage, of course, of Roosevelt and the "flying fortresses" instead of Chamberlain and the inevitable umbrella. The Germans suspended cocoa purchases,

threatened to cut coffee importations 40 per cent, and then turned round and bought nine times their usual purchases of cocoa. Threatened or wheedled, Vargas stood firm. Brazil is Brazil. There is no room for a bit of Germany or Sudetenland within his country.

But the Germans have not let up. They are offering stubborn resistance in Rio Grande do Sul, still honey-combed with agents who keep the Brazilian authorities busy. Their propaganda floods in, their trade campaign is unabated and reached full success in 1938 when they surpassed the United States in sales to Brazil. Their radio is the noisiest in Brazil, German Portuguese programs drowning out all others.

When the Germans demanded certain "rights" for their minorities in Brazil, Vargas made a declaration that he would not tolerate any diminution of Brazil's sovereignty. The German radio, blaring in Portuguese, told Brazil that this declaration did not affect Germany but was a warning to the United States. This is typical of the distortion of news in every day's broadcasts.

During the Pan-American Conference at Lima the German radio, drowning out news of the sessions, repeated constantly, "Don't you Brazilians be hoodwinked. United States arms will be used against you. Protection against Europe is a lie. Argentina alone has stood up against Uncle Sam—the Jewish Shylock. Why doesn't Brazil stand up? Germany alone is your friend. She buys your goods and sells to you cheap."

Against this steady roar, against the free "news"

reels with which Germany floods Brazilian moving-picture houses, against the agents and the whisperers, Vargas is trying to educate his countrymen.

Generals like Manoel Rebello, commandant of the Santa Catharina military zone, appeal to German-speaking citizens to be good Brazilians. Speaking at Blumenau in a typical effort, he said, "The aggressiveness of certain political doctrines from overseas has obliged us to abandon our improvident habits as far as national defense is concerned."

The Germans are replying with flattery. They have divided the various key professions and callings in Brazil. They are winning scores from each for free trips to Germany. Every Brazilian newspaper is full of such trips the year round. You read that Professor Fonseca Ribeiro has arrived in Berlin for his lecture on leprosy and that it will be rebroadcast to Brazil. Three weeks ago fifteen other doctors and their wives were invited and accepted free trips. Fourteen aviators have just left for Germany, all expenses paid. Five leading journalists have just returned from Italy and Germany. A newspaper publisher has been given new German presses at below cost and has been invited to visit Berlin and bring them back. The head of the Brazilian air force is quoted by the American agency, United Press, in a long interview from Rome—expenses paid, of course—in which he says that America has concentrated on civilian planes, so that now Italian and German military planes are better than ours.

"No one can resist such flattery," said an important

government official who is pro-American. "I wish my people could see the United States, but a trip there would take my own salary for a year."

In a year when each withdrew its ambassador and relations between the countries were virtually ruptured, Germany's trade with Brazil was greater in 1938 than ever before. Despite the fact that the United States is Brazil's best customer, more German than American goods were sold there.

Brazil's trade figures for 1938 show that Germany sold \$67,899,951 of goods during the twelve-month period as against American sales of \$64,125,704. These figures are compared arbitrarily. The Brazilian importer actually pays closer to 5\$898 as an exchange rate than the figure of 7\$211 upon which the official Brazilian trade figures are computed. If this former figure be taken—a difference of 17 per cent—then the true value of German sales was \$56,356,960, so that the United States still has an advantage for the year 1938 of nearly \$8,000,000. Whichever exchange rate be taken, the fact remains that German sales to a country with whom she was quarreling were incredibly high.

Why was Uncle Sam, Brazil's best customer, "double-crossed"—to use the word some quarters have employed? The first explanation is obvious.

Brazil is burdened with a surplus of coffee, cocoa, and similar produce. Germany, with the system of barter, offers her machines, autos, radios, and other manufactured articles in exchange for coffee, cotton, cocoa, manganese, and iron ore. Brazil can store these

goods, which are over and above the market demand, or she can trade them to Germany for articles which otherwise she must do without. That is why there are twice as many Opel cars in Santa Catharina as Fords and Chevrolets combined. Coffee, which once was burned, is now swapped for Opels and the like.

Similarly, the Krupp works, Germany's greatest armaments firm, have a \$55,000,000 contract with Brazil for rearmament, which Brazil needs to defend herself against a more-than-likely attack from Germany. It is as bewildering as the fact that General Motors is losing much of its South American market to Opel cars built in a General Motors plant in Germany.

A further reason for purchases from Germany lies in the Czech war crisis. Germany made heavy purchases in Brazil in preparation for war and also in an effort to force Brazil to buy from her. The Bank of Brazil suddenly found that its credit in German compensation marks had reached a high total of 36,000,000 marks. The war crisis had been a severe setback to Brazilian trade, and Rio was short of exchange. Accordingly, the Brazilians, by purchase in Germany which their exchange shortage did not allow elsewhere, reduced their credit in compensated marks from 36,000,000 to 10,000,000 by the end of the year. But the Brazilians fought against the Germans all the way.

When monthly payments were due on their \$55,000,000 Krupp contract, which is spread over a five-year rearmament period, the Brazilians arbitrarily de-

clined to pay the Germans in gold or exchange. The Brazilians paid in compensated marks, to the dismay and bitter protests of Berlin.

The Bank of Brazil—a sharp trading group which has not defaulted on obligations in a hundred years—gave the Nazis another jolt. Marks had been traded in not by the Brazilian government, which controlled other foreign exchange transactions, but by the German banks—enterprising institutions like the Banco Alemão Transatlântico, which shows a total movement of assets and liabilities of 1,200,000 contos as against only 700,000 contos by the National City Bank of New York. The Germans had been turning a neat profit by trading in marks, and they had been able to facilitate the importation of German goods because dollar and other exchange was more cumbersome. The Bank of Brazil stopped the German banks and began to handle compensated marks itself, thanks in no small part, perhaps, to an American embassy which was quick to help both Brazil and the American community.

Berlin retaliated immediately. The Germans threatened to curtail their consumption of Brazilian coffee by 40 per cent. The Brazilians were unafraid and adamant. When Germany exhausted her annual quota of 62,000 metric tons of Brazilian cotton, the Bank of Brazil suspended the purchase of compensation marks entirely. Rio saw the dangers of compensated trade and struck to end it.

This was the moment when Washington could have dealt a knockout blow to German trade tactics and the

Aski mark, if the American banks in Brazil or the government had only stepped in. Brazil sorely needed a loan of \$10,000,000 to ease her shortage of exchange. But the American credit did not come.

The Germans turned around—the wheedling with which they always follow their threats—and bought 350,000 bags of cocoa, or five times their total purchases in the Brazilian cocoa market in 1937. The Bank of Brazil could not veto sales that meant so much to the hard-hit cocoa interests of Bahia. The bank relented and began to purchase compensated marks again, in payment for fruits and canned meats but not for coffee, cotton, or cocoa. Later the bank weakened and took compensated marks for cotton and for cocoa, thinking that in the latter instance large German purchases would have a bullish effect on the market. United States interests retired from the market, however, and cocoa fell off abruptly.

This is the kind of dog fight that went on all year—Brazil trying not to play the Nazi game, Germany steadily pushing trade upward. It is hard not to believe that the United States has only itself to blame. Throughout 1938 the State Department stood on nothing but the “good neighbor” policy and the Hull system of reciprocal trade on a “most favored nation” basis. They obviously were not enough.

During the year Brazil’s exchange plight became serious. The sale of exchange for remittances abroad had already been suspended in the last week of 1937. For the first four months of 1938 there were an un-

favorable trade balance and a drop in commodity prices at a time when the Brazilian rearmament program was eating up at least 10 per cent of all the foreign exchange available during the year. Brazil needed that credit of \$10,000,000. When she did not get it, she went back to compensation trade with Germany.

Not until the visit to Washington by Oswaldo Aranha, the Brazilian Foreign Minister, was there any indication that the United States realized that the "good neighbor" and the Hull trade policies were not enough. With the Aranha invitation Washington took the initiative and went over to the side of positive action.

7

Relations between Brazil and the United States were placed on a sound footing during the visit to Washington of Dr. Oswaldo Aranha, the Foreign Minister of Brazil. There were evidences of sharp bargaining but also of statesmanship on both sides. The final agreement, signed March 9, helps Brazil to help herself in the peacetime economic struggle and helps the United States to defend herself should war come.

When the official communique of the United States Department of State said that Senhor Aranha, a former ambassador in Washington, "returned to the United States as a friend visiting friends," it indulged not diplomatic fluff-fluff but the very truth. Nimble-

minded, brilliant in negotiation, and eloquent in half a dozen languages, Dr. Aranha not only is one of the New World's most gifted and distinguished foreign ministers, he is one of Uncle Sam's best friends.

Vargas has let Aranha enjoy a position of prominence and confidence rivaling that of the dictator himself. Aranha has been with Vargas from the start—since the 1930 revolution—and Aranha is the only one of the Vargas lieutenants who has not been used and thrown aside. Some think that Aranha alone swung Vargas away from Nazi ideas. Whether he deserves that credit or not, he is the pro-Yankee of Brazil, and with his visit to Washington that country has turned its back on Hitler for all time.

The basic understandings worked out during the visit of this able diplomat are fivefold.

Brazil will free her exchange market of the restrictions which have hampered American exporters and investors since Brazil was forced on December 23, 1937, to suspend the sale of exchange for remittance abroad.

The United States, through the Export-Import Bank, will lend Brazil about \$20,000,000—acceptance credits to provide dollar exchange immediately and for developments over a ten-year period, such as railway improvements which would have been given to Germany but now will go to American companies.

Brazil will establish a Central Reserve Bank to eliminate unusual fluctuations in the balance of inter-

national payments, each government keeping in the capital of the other a special attaché to coordinate their central banking policies.

The United States will make available, through the Treasury, if Congress approves, gold up to the amount of \$50,000,000 against which the new central bank of Brazil could draw in an emergency. Brazil already has thirty tons of gold worth about \$35,000,000, which is 13 per cent of the currency in circulation. Brazil's purchases of domestic gold average eight tons annually, so that within five years the bank's reserve should total seventy tons, or about \$80,000,000, which would represent 32 per cent of the present note circulation. Since only 25 per cent coverage is required, the American Treasury's credit will probably not be used.

Brazil will resume payment July 1, 1939, on account of interest and amortization on its external dollar debts. Aranha discussed with the Foreign Bondholders Protective Council a transitional arrangement to handle obligations long in default. About a third of a billion dollars of investments is involved. Aranha hopes that better conditions will permit a "permanent settlement" and he promises on the part of Brazil "a general policy which will inspire the confidence of United States investors."

It was further understood that the American government would finance certain exports to Brazil and send American technical experts to develop agriculture and industry in that country.

This is a far-reaching and comprehensive plan. All

the concessions and gifts are not made by the United States. Aranha was hard-pressed, and when word reached Brazil that payments would be renewed on debts to American bondholders his position was difficult. Several times this most fluent linguist completely forgot his English and had great difficulty understanding. Once when he went off to New York he found that Washington was ready to let him sail home to Brazil. He rushed back to Washington.

The Brazilians wanted a simpler solution before Aranha sailed for the States. Why, they asked, should Brazil clear its exchange problems with all countries? Why not clear up dollar exchange with the United States alone? Brazil has an unfavorable trade balance with Argentina, for instance, and could use her own exchange shortage to discriminate against Buenos Aires just as that capital discriminates against Brazil and the United States. Using the threat of wheat purchases from the States, Brazil had just strengthened her bargaining position and persuaded Argentina to grant exchange at the official rate for a number of Brazilian articles, including cheap textiles with which Brazil hopes to replace Japan.

But Washington preferred to avoid discrimination even against Argentina, Germany, and other countries discriminating against us. Hull wanted arrangements within the framework of the Hull system. The result is a series of agreements which bind Brazil and the States in firm alliance against Germany.

There are two important but apparently contradictory forces at work in Brazil which confuse the observer. Friendship for North America frequently comes into collision with a nationalism which believes in "Brazil for the Brazilians."

The friendship of the Brazilians for the Yankees is very real indeed. It is rooted, as Vargas told me, in our large purchases from Brazil; it has been cultivated by years of trustful cooperation, and fortunately it is blossoming today at a moment when both countries are alarmed by Hitler's bid for further expansion.

In the interior there are suspicion of foreigners and a desire for isolation not unlike that in certain parts of our own Middle West. "I suppose you Yankees will eventually take over Brazil just as you took Texas," says this type, and despite the smiling politeness you feel that he is serious. Nevertheless, this is a small minority. Most Brazilians trust Washington and ask for an outright alliance between the two countries. They do not merely want a guarantee that our "flying fortresses" and our dreadnaughts will come to their defense. I asked dozens if they would want to fight for us if we got involved in war with Japan. "Certainly," they said; "your foe is our foe and your fight is our fight." This popular feeling is in utter contrast to that of peoples like the Argentines, who are determined at any price to maintain neutrality and to trade with all belligerents during war.

It is surprising, therefore, to find that Brazilian nationalism has led this people on occasions to the most highhanded action against American business interests. Nationalism is not indigenous to Brazil alone or to Latin America. It is sweeping the world. It is doubly unhappy in Brazil, however, because it is exploited by German and other agents in an effort to undo the "good neighbor" policy and the incredibly cordial relations which exist between Brazilians and Yankees.

The new constitution of Vargas made provision for the nationalization of many things in Brazil which had been in foreign hands. This tendency has been pushed, moreover, by wealthy individuals who, though they are incapable of developing the country's resources, hope first to drive the foreigner out and then to let him in at handsome profits to themselves. Impetus was given by the exchange shortage and by German agents.

The meat industry offers a typical example. Wilson, Swift, and Armour have *frigoríficos* in São Paulo. They are accustomed to sell to the local market in addition to their export trade. The local market took about 30 per cent of their volume for half the year and about 10 per cent for the other half. This margin mattered where costs were cut thin. Suddenly the American concerns were told that they could have only 60 per cent of their local market. "Brazil for the Brazilians."

Investigating in São Paulo, I found a pretty and a typical story of German intrigue. The Germans persuaded the Brazilians to build a local municipal mar-

ket. The Germans did the building. As a result, the American meat companies have had to lay off from 4000 to 5000 Brazilian workers one or two days a week. The city's 1400 butchers can no longer pick up the telephone and call Wilson's or Armour's or Swift's. Instead they must stand about four hours in line at the municipal market. The consuming public pays 15 per cent more for its meat this year than last. The state loses income from all the by-products, which were shipped abroad at a profit when the Americans slaughtered beef for local needs.

The Germans alone are content. They have more far-reaching plans and are trying to "sell" them to the Brazilians. Although the American meat concerns have \$14,500,000 worth of packing plants in São Paulo, the Germans are negotiating for the construction of a municipal packing plant—an "all-Brazilian" proposition.

The Germans are stirring bad feeling against the Americans and spreading propaganda. One of the American packers has just sold 32,000 hides in the United States at seven and three-quarters cents a pound. When the company notified the Brazilian government in connection with exchange and duties, it was told that the sale price was nine cents a pound. The American company protested bitterly: after all, when you make the sale yourself you know what price you are to get. And if exchange and duty were based on a price arbitrarily set at 25 per cent more than the actual price, the company could not carry through the

transaction profitably. "The government has its own sources of information," the Brazilians replied to the company's protest. It is questionable whether German agents, deliberately fomenting trouble, ought to be called "sources of information."

Standard Oil's experience has been equally discouraging. That company has been unable to get its money out of Brazil. Worse, it was persuaded to build a refinery at São Paulo and shipped down the machinery for a million-dollar plant. Before its completion the country went on another "Brazil for the Brazilians" splurge. The German agents had been busy. Recently an option on a large acreage was secretly given Brazilian and Mexican interests. The option is for land to be used for an oil refinery, the owner told me. "The refinery which Standard cannot open," he added.

Americans have complained that they have no remedy. Governmental bureaus frequently laugh them out. The press is entirely censored, so there is no appeal to public opinion in the "New State." The American embassy and consulate have protested. American companies and investors have felt helpless.

A Brazilian tried to show me another side of the picture. He says that too many American businessmen in Brazil do not learn to speak Portuguese, do not ingratiate themselves with Brazilian officialdom, and do not hire the Brazilian counterpart of "fixers." "Where nationalism is rising, as in my country," he said, "why aren't American companies smart enough to bring in some Brazilian capital, have a Brazilian vice-president

or two—someone who knows how to fix and wangle things in the government? When I go to the States on business I put aside my Brazilian clothes, buy American-cut suits, polish up my English and my slang, forget my own psychology, and do as the Americans do. You fellows might learn to do as the Brazilians do.”

There is a great deal of truth in this observation by a Brazilian who heads an important American concern and manages to get about a million dollars a year in exchange when others are denied foreign currency for remittance abroad. Nevertheless, these American businessmen need and deserve the support of their government. American interests abroad are part of the flag—if they are not respected the flag is not respected.

Not least important, therefore, of the results of the Aranha visit is the assurance not merely that exchange will be free and payments to bondholders resumed but also that Brazil will pursue henceforth “a general policy which will inspire the confidence of United States investors.” Washington has taken measures to defend the American business community. If the Aranha assurances are difficult to maintain, the mere threat of reducing coffee purchases should wheel even the extremist of nationalism into line.

9

“Alliances are not properly understood,” I was once told by one of Europe’s wisest elder statesmen. “No

alliance is worth the paper it is written on," he said, "unless what it provides would happen anyway—would happen whether there were an alliance or not."

There is no alliance between Brazil and the United States. But what would happen if the two were allied will happen anyway. The defense of the one involves the defense of the other, so that the position of either would be most difficult in wartime if the two were ever hostile.

Brazil has a few coast guns in Guanabara Bay at Rio and a few destroyers to screen Santos and other ports. But the fleet of Germany, Italy, or Japan is too much for Brazil's defenses. In a war with one or all of those expansionist powers Brazil must depend upon Uncle Sam.

And if Uncle Sam were involved in war with one or all of those powers, we, too, would depend upon Brazil. Take manganese alone. Without it we cannot manufacture steel, without which we cannot wage war. During the World War imports from Russia, which supplies 33 per cent of our manganese today, were cut off, and as a result it was estimated at one moment that our steel industry would come to a standstill within seven months. Brazil can supply our wartime needs. That alone makes it vital that the two American countries should be allied.

Strategically, Brazil is vital to our defense. We cannot permit a country like Germany to maintain naval or air bases anywhere on the Brazilian mainland. Such bases would endanger not only the Panama Canal and

our Caribbean bases; they would risk the German air arm reaching our mainland. To defend Brazil against the establishment of such jumping-off points we need a naval and an air base in Brazil. German fleets and aircraft operating off the African coast can reach key coastal regions of Brazil as quickly as we can move cruiser divisions and "flying fortresses" from the Caribbean.

This makes the Aranha visit and its results vitally significant to the United States. During that visit the two countries did not agree—as they might have—to establish North American bases at some point like Belém in the mouth of the Amazon. They did better than that. The United States decided to help Brazil help herself. By improving that country's financial position, we have made it possible for Brazil, guided as she is by an American naval mission, to make her own defensive preparations. And then, if war comes, the base at Belém will be Brazilian, but American aircraft can base there; and the harbor improvements at Guanabara will be Brazilian, but American cruisers can berth there.

This is statesmanship and it transfers the emphasis in American-Brazilian relations away from alliances and bases. The new emphasis is on trade and internal development in Brazil. We are extending credits to enable Brazil to clear its exchange problem, and we are sending experts to help Brazilians increase their own productivity. The good neighbor becomes a neighbor in fact as well as in oratory. And, consequently,

the most important of the Aranha arrangements are those which provide the sending of American experts. They are also the most interesting and storylike. One story will suffice.

In 1875 an Englishman named Wickham secretly carried away from Brazil a few hevea seeds. They were planted in the Royal Botanic Gardens in Kew. From them grew rubber trees, which were taken to Ceylon. Twenty years later the British East Indies and the Dutch East Indies were marketing rubber. The Brazilians, world's greatest producers of rubber, laughed. "No rubber will ever be like Brazilian rubber," they said. But by the outbreak of the World War the plantations in the East Indies were producing more than Brazil produced. And in the next decade the Brazilian bonanza collapsed and England ruled the market.

The sequel is irony itself. Just as Wickham violated the Brazilian ban and smuggled out hevea seeds to make rubber trees in the East Indies, so cinchona trees have been smuggled out of the East Indies to produce quinine in Brazil. The smuggler remains unknown, but the trees were presented to Brazil, I understand, by the United States Department of Agriculture. In time Brazil will produce its own quinine needs and those of the United States. The islands which captured Brazil's rubber monopoly probably will lose their quinine markets to Brazil.

The United States is helping its southern neighbor, moreover, in rubber, too. Ford has clearings in the Amazon regions sufficient to supply 50 per cent of the

rubber needs of the United States. The difficulty is labor. Brazilians will not work the rubber clearings—fish and fruits are too plentiful. Portuguese laborers are being brought over and with time—thanks to Uncle Sam—Brazil may become once again the world's number one producer of rubber and, equally important, Uncle Sam's wartime source.

These developments are necessary if Brazilian coffee is to follow the sad collapse of rubber and bring the country's whole economy to ruin. And there are signs which perturb many Brazilians. The country's overproduction of coffee has necessitated the burning since 1933 of some 65,420,392 bags of coffee. Vargas has reduced the export tax from 54 to 12 milreis in order to bring the price down and consumption up, but when I stood on a coffee plantation the owner looked out on a million-odd trees and shook his head sadly. "At six and a half cents a pound there isn't enough profit to make it worth while," he said pessimistically. The mild coffee of Costa Rica, Colombia, and such countries is of better color and more aromatic, and it sells at twelve cents a pound. Trees in those countries must be grown under shade and pruned constantly, so that the production costs are higher; but there is no overproduction as in Brazil.

This fear—causing undue alarm, perhaps—turns many Brazilians from coffee to the cultivation of cotton, corn, and fruits. Cotton is in direct competition with the United States and its swift development in Brazil is due in no small part to our having plowed

under and lost world markets. Brazil expects to produce 250,000 metric tons of cotton this year, manufacturing from much of it her own cheap textiles, exporting the surplus to Germany.

It is in the development of Brazilian exports not in competition with our own that the United States can best help. The two countries—the one temperate, the other tropical and subtropical—supplement each other. They are natural friends and natural allies.

The smiling, pleasant folk of that land say, "God is a Brazilian." They add now, "Uncle Sam is a friend."

VII

FROM the Rio Grande's dusty, alkali banks, southward through the blast furnaces and smokestacks of Monterrey, the gaunt oil derricks of Tampico, and the rolling, irrigated valleys like the Laguna, Mexico sprawls over the long ranges of the two Sierra Madre chains—rich in silver, gold, lead, and zinc—all the way to the tropical luxuriance of Yucatán.

It is a rich land, peopled by poor men—Indians, who fashion sandals out of castoff auto tires or go barefoot; half-breeds, who live on beans and the pulque beer they ferment from the juice of the maguey, or century plant; and lean-bodied, sulky-eyed, cotton-garbed workers, whose strikes are more impressive than their record of production.

Over this land and its 13,000,000 people towers Mexico City, at an altitude of 7400 feet, its more fortunate populace housed in great stone palaces or magnificent modernistic villas, its streets jammed with high-powered American automobiles, and its government in the hands of *políticos* who are always heavy-jowled with good living and always generals.

Of the twenty Latin American republics it is Mexico alone which borders the United States, and of all the

southern neighbors that matter vitally in our economics and our politics it is Mexico which seems most important at the moment, not merely to Washington but also to every one of the American capitals. Mexico is either a warning to its Latin neighbors or the mirror of their future.

For down the dusty streets of villages of wattle and adobe, along the cactus-littered hills and the vast, dignified, and impressive Zocala Square of Mexico City, men are marching. Mexico is in revolution. It is a country of marching men, red banners, blaring radios, and promiscuous slogans. You can scarcely drive two hours anywhere without a parade holding up your car.

There is only vague agreement where they are going, but the Mexicans are on their way. Toward Communism? Toward Fascism? There are little groups who want each of these "isms," and men who charge one day that Mexico is Communist and the next that it is Fascist. It is neither. Mexico's revolution is as Mexican as frioles or a sombrero or the illiterate peon who never heard of Marx or Hitler.

In essence the revolution is a nationalistic movement. Of all the slogans the most accurate is that anti-foreign cry, "Mexico for the Mexicans." But who are the Mexicans? The beefy-faced generals of the moment are *mestizo* half-breeds, and by Mexican they mean the masses—the Indians, the *mestizos*, and the peons, who have been exploited for centuries by the conquerors—the captains, the landlords, and the clerics—who came from Spain.

For them comparison with Moscow is both unfair and absurd, because the Mexican revolution began two decades before Communism was born in Russia. It came from agrarian and liberal revolts by men like Zapata, crying, "Land and Liberty!"; out of the Robin Hood banditry of men like Pancho Villa and the anti-Yankee courage of Carranza. The Mexicans decided to be done with the quarter-century dictatorship of Porfirio Diaz, who brought in American and British capitalists, turned over mines and oil fields and farm lands to the "gringo" foreigners, and made the Mexican masses something to spit on or to turn the troops against. The inspiration of the Mexican revolution was a dream that men are something more than domesticated burros, and the charter of the revolution—once the humanized burros were done with Diaz—was the Constitution of 1917.

The liberalizing provisions of this constitution were alternately applied or nullified by various beefy-faced generals—some honest, some confused, some bribed—until the election in 1934 of General Lazaro Cardenas. This man, whose term runs until the end of 1940, applied a six-year plan to make the 1917 constitution a reality and the revolution a fact.

Under Cardenas 30,000,000 acres of farmlands were expropriated and distributed to some 813,065 farm workers—twice the acreage distributed in the first twenty years of the revolution. The railways were handed over to the railway unions, who own and oper-

ate them, just as the unions were given control in several other fields.

The poor and illiterate rolled in newly won wealth, labor felt its oats, and few people were aware that Mexico would learn that even in revolution it is wise to make haste slowly. The climax came in an epic—and as yet unfinished struggle—between Cardenas and the great petroleum companies—Royal Dutch Shell and Standard Oil, two companies richer by far than a mere country like Mexico.

Labor asked for increased wages and social services. The oil companies, arguing truthfully that petroleum workers were already the best paid in Mexico, contested their demands. A strike threatened, negotiations and litigations ensued, and the Supreme Court of Mexico held with labor. When the oil companies still would not comply, Cardenas in a melodramatic session of the cabinet at midnight, March 18, 1938, expropriated their vast properties.

Cardenas said that the authority of the Supreme Court, the sovereignty of Mexico, and the "decorum" of the nation were involved. Mexico was obliged, he said, "to reduce the oil companies to submission and obedience."

The right of a sovereign state to expropriate such properties as it sees fit cannot be challenged. But seizure of property without just and prompt payment is not expropriation but confiscation. And Mexico seized the oil properties without having the money to pay

for them. Mexico had \$1,000,000,000 of foreign debts and the accrued interest in default. The oil companies say that the expropriation is "bald theft" and that Mexicans, with each further day of ownership and operation by the union, "feel less like thieves."

While the oil companies have intensified the flight of capital, organized a boycott of Mexico, and flooded the world with propaganda, Washington has temporized. On the one hand, there is the "good neighbor" policy and, on the other, the necessity of protecting American interests abroad and the whole notion of the sanctity of property and of contracts. Washington has sent stern notes but has scrupulously avoided pressure.

Not only have the oil companies lost their properties but American exports to Mexico have fallen 50 per cent. Boycotted by the companies, the Mexican unions have found no market for oil except in Germany and in Italy. Consequently, the country is short of cash and tied into the Fascist-Nazi barter system. Uncle Sam's exporters are the chief losers, and "Red" Mexico is placed in an ironical position of having to trade with Fascist governments, which it detests.

All of Latin America is naturally watching to see whether Mexico "gets by" with it. If Mexico, following the lead of Bolivia, can seize American properties and defy Washington, then Cuba, Ecuador, Chile, Brazil, and many another country may be tempted to turn the "good neighbor" into the "good sucker" policy. The precedent is important.

Latin America has another reason, moreover, to watch the Mexican revolution. Like Mexico, such countries as Peru, Bolivia, Colombia, and Ecuador have vast Indian populations, ruled by a few Spanish-blooded aristocrats. They are interested, consequently, to watch Mexico give a "new deal" to the long-exploited Indian. What the aristocrats call "Aztec Bolshevism" may yet liberate the masses from the worst aspects of the conquests, educate them, and improve their standard of living. If this should come and be followed by the inevitable swingback toward moderation, then Mexico and similar countries will achieve what we, in the United States, understand by democracy.

2

Democracy in Mexico, or in most of Latin America for that matter, is as yet only an aspiration. Personal opinion scarcely exists as a decisive political force where half the population is illiterate and where, with two thirds of the nation Indian, Spanish is not the universal tongue. A surprising freedom of speech and press obtains, but only one party, the Mexican Revolutionary Party, is permitted. Mexico lives, therefore, under the boss system.

Over the various factions which compose the Mexican Revolutionary Party, one man rules as boss supreme. This man is General of Division, His Excellency, Lazaro Cardenas, President of the Republic. The son of an obscure Spanish-Indian family, he is

close to the ground and by simple ruggedness of nature he survived the vicissitudes of revolution and corruption to become, once he had arrived at the top, one of Mexico's most honest and adroit politicians. Loyal to the revolution, he has played general against general and labor leader against labor leader, giving a new artfulness to the old stratagem of divide and rule, until today he is, in every sense of the appellation, President of the Republic.

As interesting as any man I have ever interviewed, Cardenas impressed me as a revolutionary who is sincere. Most Mexicans who have won a place among the bosses through prowess of arms in the revolutionary wars have succumbed to the corruption of Mexico City. Easy money, blondes, flattery, and the modern barber-shop with its facials and its manicures have sufficed to make many a general look with disdain upon the lean and hungry rabble with whom he once rode barren, cactus-covered hills and passed hungry, harried nights when men were crying "Land and Liberty!" Cardenas is the exception.

In struggles around Huerta, Carranza and Obregón, which grew out of the overthrow of the reactionary Diaz, this man Cardenas was a revolutionary who came slowly to be identified with Plutarco Elías Calles, the strongest of Mexico's postwar strong men. Not content with his own presidency, Calles selected and named three successors. In or out of office Calles was the boss. The third of these successors was Cardenas, picked because he seemed a simple and loyal man whom Calles

could control. Calles made Cardenas President in 1934, and two years later Calles was an exile in Los Angeles and the revolution had become a reality.

The charter of the revolution is the Constitution of 1917. Carranza called a convention in that year to write a liberal document based on the Constitution of 1857, which the rule of Diaz had destroyed; but the radicals prevailed and elaborated one of the most far-sweeping revolutionary documents in history, approving the famous articles 3, 27, and 123. Article 3 provided for "Socialist" education in all primary schools and was a vital part of a constitution which disestablished the Roman Catholic Church and sought to destroy its political power. Article 27 declared that the subsoil, including petroleum, belonged to the state once again as it had in the time of the Spanish Crown and could be exploited only by concessions from the state—a provision which denied private ownership and which was implemented by a ruling that foreign holders of property or industrial shares in Mexico must acknowledge themselves as bound like Mexicans by the laws and courts of that land. Article 27 further provided the general distribution of land to the peasants. Article 123 called on Congress to provide specific legislation for the eight-hour day, the right of employers and workers to organize and to strike, profit-sharing for employees, social security, and the like.

This Constitution of 1917 had been indifferently applied when Calles became President in 1924. He decided to return to the charter of the revolution, and

his presidency involved him in a bitter threefold fight against the oil companies, the landlords, and the clergy. When he tried to apply Article 27, Dwight Morrow rushed down as Mr. Coolidge's Ambassador and persuaded Calles that the United States, which had supported Obregón and Calles against Huerta, could support someone else again. Calles capitulated and a compromise was worked out on oil. Similarly, Calles decided that the great landholders with capital were better fitted than the peons to administer lands which, by the constitution, were to have been redistributed to the peasants; and, finally, after a bitter period Calles followed Morrow's advice to arrange a truce with the church. Calles waxed fat, the Constitution of 1917 was forgotten, and Mexico became Mexico once again. A single story will illustrate the temper of the times. Calles told Morones, the leader of the labor organization, that he should change its name, according to the story, because, instead of calling the CROM "Confederación Regional Obrera Mexicana," which means "Regional Confederation of Mexican Workers," the people were saying that the initials stood for "Como roba oro Morones," which means "Morones steals much gold!" The labor leader, who had gone to fat and diamonds, suggested that the initials should be reversed from CROM to MORC, because the people were saying, "Mas oro roba Calles," which means "Calles steals more gold."

This stodgy, heavy-handed humor reflects the moral-

ity of the Calles regime, and by the time the "boss" had to select a President for 1934 unrest was spreading and many were calling for a return to the revolution. The Calles group, picking Cardenas as a left-winger who could be manipulated, also decided to announce a return to the revolution. Accordingly, they drafted the six-year program, a socialistic swingback toward the provisions of the constitution; and they let Cardenas, the dumb and loyal Indian, stump the country on this platform, confident that the boss had not only the election but Cardenas in the bag.

The dumb Indian was dumber than they thought. Addressing crowds from one end of the country to the other, Cardenas was impressed with their enthusiasm for the six-year plan. And Cardenas, who had driven a Dodge car around Tampico, where other governors had grown fat by playing with the oil companies, found that the masses shared his own feeling toward generals who waxed rich. Once elected, Cardenas gave up the presidential palace for a simple private house and began to apply the provisions of the six-year plan. When Calles put down his foot, Cardenas was equally dumb. "No one can oppose Calles—he is the boss," they told Cardenas. The dumb Indian simply could not understand. "But I'm President—the duly elected President," said Cardenas. People shook their heads sadly. Cardenas toured the country, his ear to the ground, came back and sent an airplane to the country home of Calles. The airplane took Calles to the United

States, and as yet he has not decided to return to Mexico and match wits or popularity with the dumb Indian.

And so Cardenas is President—really President—the boss supreme.

3

The first years of the Cardenas presidency succeeded beyond the wildest belief of the wildest radical and, until the expropriation of the oil properties, March 18, 1938, the program of applying the 1917 constitution moved forward, not exactly majestically, but with the relentless momentum of a steam roller. For the workers, especially, it was a fool's paradise. Organized in the C.T.M., or Confederation of Mexican Workers, under the leadership of Lombardo Toledano, one of the most adroit politicians in the history of Mexico, the laboring class held the balance of power politically and ran Mexico not merely for the Mexicans, but essentially for the Mexican workers.

The financial situation was already alarming to students of economics, and there were abundant signs that while farmland was being distributed among the peons and strikes were being won by the workers production was falling off. But what did the peons and workers know or care of economics? That was a mumbo-jumbo word of the foreigners and Mexico, under Cardenas, was soon to be done with foreigners. Mexico was on the march. If you wanted something, you organized a parade, filled the bull ring with demonstrators, or

marched behind a thousand red banners into the Zocala Square. Cardenas was impressed with these things because he believed in the masses and went out among the workers and peasants to talk with them directly of their own problems. If a delegation could reach Cardenas and their plea was eloquent, Cardenas did not consult the Minister of Finance; he said, "Yes, that's a just plea and we will do it," and then he said to the finance minister, "Find money to do it."

In this fashion Cardenas expropriated and distributed 30,000,000 acres of land. In this fashion Cardenas undertook the building of schoolhouses in a program which, as he explained to me, calls for "a school for every church that stands in Mexico." At Zacatepec, near Cuernavaca, a cooperative group of sugar workers wanted a sugar refinery, so Cardenas ordered the construction of a \$4,000,000 plant—the best refinery in the world today, owned and operated by the sugar workers. In the rich Laguna region, where large properties had been cut up and distributed, the workers had no capital, so Cardenas ordered the farm-credit bank to advance them 60,000,000 pesos. Railroads were pushed into Campeche and Yucatán, while highways were constructed at a prodigious rate. There was no doubt about it. The revolution had come. And if hard times came—there were already signs of over-expansion and flight from the peso—well, then, hard times would come and the Mexicans, used to beans and pulque, would know how to endure them. The revolution and progress—they were the things that mattered.

In the spirit of these times the petroleum workers made certain demands against the Royal Dutch Shell, the Standard Oil, and the other companies which operated through subsidiaries in Mexico. After agriculture come mining and then oil—the third industry of the country. If the companies resisted the unions, a strike throughout the whole of the oil industry threatened. The workers demanded wage increases, social benefits, and—horror of horrors—a hand in the management of the properties. The companies resisted. Oil workers were already receiving 7.42 pesos a day, or \$1.50 at that time, and this was the highest basic wage in the Republic. The increase demanded, moreover, was not 100 per cent, as claimed by the unions, but closer, said the companies, to 500 per cent, because the social and economic benefits were more costly—about 300,000,000 pesos or \$60,000,000 a year. The companies were adamant, as well, on the question of sharing management with Mexican union workers. That was as bad as Communism, and if Communism was the way the unions wanted to go the companies were not going to have any such nonsense.

When a strike threatened, Cardenas intervened and insisted on negotiations. The companies stubbornly maintained their incapacity to pay—an argument which did not impress Mexicans, who felt that the foreigners had drained billions abroad from the Mexican subsoil. The unions, thereupon, turned the tables on the companies and declared the struggle to be an economic problem. In the contracts between the com-

panies and the unions there was a provision—insisted upon by the companies—that contracts could be reviewed when by reason of economic developments profits fell so that wage scales could no longer be maintained. The unions insisted that this worked two ways. The Mexican Labor Board, after many sittings, held that the companies could pay. Mexican economists made serious charges against several of the companies, that they had dummy intermediaries, strange ways of doctoring prices, and effective methods of concealing their true profits. To indicate the wide discrepancy between the two parties, the Mexicans estimated profits at \$100,000,000 a year, while the nine big companies insisted that their combined profits for the ten-year period, 1927-36, were only \$108,502,291, or 4.25 per cent on investment. The companies protested, and the Supreme Court of Mexico held with the unions. The companies had not shown incapacity to pay.

Throughout the period of legal struggles there were interminable negotiations. It was to prove tragic for Mexico, the oil companies, and relations between Mexico and the United States that these failed to bring agreement. At one period the companies had virtually accepted the increases demanded by the unions—with only a few million pesos dividing them—but stood ruggedly against the workers' insistence upon a share in management. In studying this period one cannot escape the feeling that all those concerned in the dispute, including the American embassy, behaved badly.

There is small doubt that the men directing the oil

companies overplayed their hands. They all thought that the Mexican government was bluffing. They never believed that Cardenas would apply the provision that the workers take over and operate when companies shut down. Many of the oil men, moreover, felt that Mexico never changes and that the way to deal with Mexicans is to bribe those you can bribe and organize revolutions against those who are stubborn. It was doubly unfortunate that certain individuals in the British embassy and in the principal British oil company looked upon Mexicans "as natives not whites." And it was equally unfortunate that the American embassy was both badly informed and zealous not to apply pressure against the Mexican government. Washington's well-intentioned timidity was followed subsequently but too late by most energetic protests. The harm was already done, and many Mexicans believe and told me the most preposterous versions of Washington's policy. Some think that President Roosevelt told Cardenas to "go ahead"; others explained to me that the whole thing was a Machiavellian plot of the United States oil companies and the United States Department of State to force expropriation, destroy the British companies, and corner Mexican oil for the United States. These tales are preposterous, but they indicate how Washington failed to have a policy and to make that policy clear.

Cardenas cannot be bribed. He cannot be intimidated by the threat of revolution. He cannot be expected to have felt that Washington would bring

reprisals against him. Accordingly, on midnight, March 18, 1938—in the same week that Hitler marched into Austria—Cardenas expropriated the oil properties. For the members of his cabinet who said that Uncle Sam was too strong, he had nothing but contempt. The oil companies had refused to obey the Supreme Court of Mexico. If Mexico yielded, Cardenas said, its national sovereignty was gone, its authority would be dissipated, and the revolution would become a lie. Believing in the masses, he took the decision for them and reported directly to them. Going to the radio, he announced that the workers were taking over the petroleum properties in order to “reduce the oil companies to submission and obedience.”

And the masses, accustomed to starvation in the past, were unafraid before the inevitable reprisals of the oil companies. The peons and the workers roared back to Cardenas their cry of confidence—“Mexico for the Mexicans.”

4

The oil properties once expropriated, the Mexican government, like any other government, sold the proposition to the public. The mass meetings, the posters, and the radio speeches did their work. Stop by some old tile-faced building or before a church nearly three centuries old for a shoeshine—one of the real industries of Mexico. Select a bright-faced youngster. He will begin by telling you that he is getting an education, thanks to Cardenas, and that he means someday

to become a doctor; it's a slow business, he knows, but that's what his mother wants him to do and he thinks he would like to be a doctor, too—Mexico needs doctors. Then he will tell you that Mexico is a new and better country since the expropriation. Cardenas believes in Mexico for the Mexicans. The unions are operating the oil fields and refineries. The foreigners who once robbed Mexicans of their birthright have been thrown out. Mexico belongs to the Mexicans. The shoeshine boy represents the point of view of the millions.

Stop by the Ministry of Finance and you get a very different picture. The men who know something about economics are worried. And so are businessmen, who tell you that Mexico's greatest need is foreign capital. Go to the headquarters of the Confederation of Mexican Workers (C.T.M.) and you will find them worried, too. Go out to the collective farms and you will find opinion about evenly divided—half the peons proud that they now own their own land again, half of them bitter about the corruption of bureaucrats and afraid that last year's hunger marches may be repeated. Mexico is a land of contradictions, and the wonder is that so many millions are contented when the figures are so disturbing.

The figures show that even before the expropriation in March, 1938, confidence was vanishing and the currency in danger. There was a flight of capital, with Mexico losing from 2,000,000 to 3,000,000 pesos a week. The moment oil was expropriated and Mexico

faced reprisals from the great petroleum companies, the peso was devalued. It had been pegged at about 3.60 Mexican dollars to the dollar; it was dropped suddenly to five for the dollar. The devaluation was inevitable, and it seems tragic that the oil companies did not foresee it. Since they sold their oil abroad for dollars, the devaluation would have made it relatively easy for the companies to meet the wage increases of the unions in depreciated money.

The Mexican government had foreseen the financial crisis. By September, 1937, the government was aware how real had been the overexpansion. Money had been spent lavishly on railways, roads, irrigation projects, schools, and the financing of the expropriated farm-lands. Cardenas was in a hurry to do everything possible in his six-year term. Economics bored him. He decided on a project and told his finance minister to find the money to carry it through. By the fall of 1937 Cardenas had already overspent by nearly 500,000,000 pesos—or a full year's income. The government foresaw devaluation and tried to curtail expenditures. As government purchases contracted drastically, private business followed suit; and as the statement of the Bank of Mexico slowly fell, despite the government's measures, the public became afraid. Some 60,000,000 pesos had already fled the country when expropriation came. Another 40,000,000 were rushed out.

There was no question about it. The oil companies, quite naturally, were fighting back, and in such a fight it seemed that they had greater resources through their

world-wide ramifications than any mere country like Mexico. It looked as if they would break the Bank of Mexico. Cardenas acted swiftly. He depreciated the peso, stopped supplying the market with dollar exchange, and enforced drastic export taxes. Mexicans had to pull their belts in tight. Despite his personal detestation of Fascism, Cardenas negotiated for the sale of petroleum to Germany and Italy on a barter basis. Steel piping, irrigation machinery, automobiles, and trucks, which Mexico needed badly from the United States, were ordered in Europe in exchange for oil. The export taxes slowly accumulated a tiny, but respectable "war-chest" fund. By October, 1938, the Bank of Mexico had a reserve of between \$8,000,000 and \$9,000,000 which it could use as a stabilization fund; the peso was pegged at around 4.98 to 4.99. Cardenas pleaded with the unions to run the oil fields and refineries with a maximum of discipline and efficiency; he hired as many foreign technicians as he could, and Mexicans assured me that for the period March, 1938, to March, 1939, Mexican petroleum had been run at a deficit of only 1,000,000 pesos.

The nature of the struggle has never been understood by the millions. The peon, who has received an ejidal farm in the expropriated areas, works no longer for a haciendado, or master; but the state is just as truly his master, and the peon understands nothing of production for Mexico City or for export. When he worked for the haciendado, he never knew a profit. He grew enough to keep body and soul together. Now

that he owns his own land and farms in a collective organization he can get a dividend in cash and frequently does when production is good, and the sale of his produce brings a profit over and above the outlay for seed, the rent of tools, and the graft which goes to the bureaucrats. But what does he need cash for? He has never known the things for which an American farmer needs cash. I was surprised to see on several farms the bewilderment of peons before the radio purchased by a neighbor. The vast majority of the peons grow only enough food for their own needs, mostly beans, a few goats, and occasionally a patch of melons. They know nothing of the financial problem that confronts Cardenas, and they know nothing of the problem of production. As a result, Cardenas has faced not only the oil companies and a financial crisis but he has had declining productivity at home in the very moment when the currency is inflated and the cost of living is rising.

His accomplishment is not small, therefore. It is the opinion of virtually all neutral experts with whom I have talked in Mexico that Cardenas has weathered everything the oil companies can bring to bear against him in reprisal. Against the oil companies he can win. Reprisals by the United States government are quite another thing, however. Mexico could not stand before either tariff retaliations or a suspension of silver purchases. The internal struggle to increase production is too difficult. The country needs good breaks for a while, not bad.

5

Mexico is essentially an agricultural country, and the revolution wins or loses on how Cardenas solves the farm problem. The figures on the success or failure of the vast movement to return the land to the workers, a project which rivals that of the Soviet Union, are contradictory and confusing. Just as they begin to add up and have meaning for you in the Laguna, that 1,250,000-acre tract in the valleys of Coahuila and Durango, you find a different situation in Nueva Italia and Lombardia, and conditions among the sugar collectives of Las Mochis which contradict your conclusions about henequen collectives in Yucatán. The truth is that there are no proper statistics in Mexico. I decided, consequently, to go to the farms and talk directly with the peons who work them. But this proved equally confusing. Mexico is a land of contradictions, and no generalizations there are sound.

I found it quite impossible, for instance, to compare the Mexican efforts with the collective farms I have seen in Russia. The only similarity lies in the fact that the lands were confiscated in each case; but even there the parallel is misleading, for while the Soviets liquidated the kulak class and literally starved millions into submission, Mexico's revolution under Cardenas has been bloodless and no one has died of starvation. I found expropriated hacendados who explained that Mexico was worse than Russia, which confused me, too, because if a Russian kulak talked with the freedom of

these hacendados he would not live very long. I also found a hacendado who, though deprived of 250,000 pesos' worth of property, approves the government's program of returning the land to the peasants.

This man is Antonio Jaumbelz, publisher of *El Siglo*, the principal newspaper of Torreón, the capital city of the Laguna region.

"I didn't like having my property taken away," he said. "But it is better for this region and better for Mexico. I didn't farm my lands. I rented them out. They produced very little and I was land poor, and the plight of the peons was not very pleasant. I think we are all going to be healthier and richer in the end for wiping out an outmoded feudal system."

Scores of hacendados will bitterly revile his point of view, and in exactly the same fashion I found differences of opinions among the peons themselves. Go to an ejidal farm where the hacendado has been dispossessed and each of his former peons has been given ten acres but no mule. I saw signs of improvement already in three years. Instead of feeding chili and beans to the new-born baby—in order to make him strong like his padre, "not weak like a pale-faced gringo"—the mother has literature from Mexico City about oranges and milk and has the money, most of the time, with which to buy them. Instead of being held deliberately on the property by a hacendado who sees no reason why his workmen should come back late to work and roaring drunk, the ejido peon gets into town twice a month for a picture show. There is cash to spend for the first

time in the life of the peon. In the first year of expropriation in the Laguna (1936) there was a dividend—in addition to food, of course—of about 100 pesos a man. In 1938 there was a dividend of 600 pesos a man.

And yet in spite of this I heard peons declare that the state is as bad a master as the hacendado, and I heard them revile the graft and corruption of the bureaucrats. "We were hungry last year after they sold our cotton and told us there was no market, but the men from the Ejidal Bank and from Mexico City drove around in automobiles and built themselves fine homes. They weren't hungry," said one peon. He was mistaken, of course. The government did have difficulty disposing of the crop at first; and with the financial situation pinching, the government could not extend funds at that moment. The year before, very considerable sums were extended in advance. And equally interesting, on the other side of the picture, was the conversation of some peons still working for hacendados. They do not envy the peons to whom land has been distributed, and they do not seem to regret picture shows, radios, and the other things which their more fortunate ejidal neighbors are beginning to enjoy. It is all very confusing, and it seemed to me that it illustrated just how lowly the state of the peon has been. Some of them would qualify, like Russian peasants, for the appellation, "Beasts that once were men." I have understood that in certain American efforts to improve city slums it has taken seven and eight years

to teach the poor how to use the plumbing facilities installed. It is incredible, but it is true that in Mexico it is necessary to teach the peons how to spend the money they are being given. It is one of the contradictions of that strange land.

With these warnings against generalizations, I think we can examine figures which are not contradicted and which reveal the tragic aspect of the farm problem and indicate how far it is, as yet, from success. Against all the admirable accomplishments in the program of agrarian reform there stand the bald figures which show how real have been the dislocations caused by expropriation, how bad has been the general administration by the bureaucrats, and how wise it is, even in revolution, to make haste slowly.

Until the expropriations Mexico had always been a heavy exporter of cereals. A majority of her working population engaged in agriculture; she had depended upon these exports. Instead of exporting corn, she suddenly called upon the United States for 70,000 metric tons. Instead of exporting wheat, she asked the States for 60,000 metric tons—about 2,500,000 bushels of wheat. During the first eleven months of 1937 the United States shipped to Mexico cereals valued at 1,600,000 pesos. During the first eleven months of 1938—a period when Cardenas was at war with the oil companies and could ill spare gold to the United States for such purchases—the United States shipped Mexico 18,000,000 pesos' worth of cereals.

It was a story of the revolution running away with

itself as Cardenas, in four brief years, expropriated and divided some 30,000,000 acres of farmlands. Drought, wheat rust, and the like played their part, but it was primarily lack of foresight in planning and distributing crops. When the Laguna was divided in the fall of 1936, the Mexicans got too enthusiastic about cotton and planted only 8000 hectares of wheat when normally 40,000 hectares were sown to that grain. Up in Sonora the Yaqui rice haciendas were divided in the planting season, and neither the owners, about to be expropriated, nor the peons, assuming the first responsibilities of their lives, bothered to plant. Similarly, when there was a 25,000-ton rice surplus in 1937 the Mexican government shipped 13,000 tons to Germany in barter for hospital equipment—I saw the equipment stored and the hospital plant's gaunt skeleton far from finished—and then found themselves compelled to import rice in 1938 from the States, a former market for Mexican rice.

Prospects for 1939 are much better. This is especially true in the Laguna—where the growing pains are probably past, as President Cardenas told me in an emphatic denial that his agrarian program faces a breakdown. The Ejidal Bank claims that of the 67,000,000 pesos advanced to collectivist peons in the Laguna, all but 4,400,000 pesos have already been recovered from the sales of crops. The Laguna farmers expect to harvest 66,000 tons of wheat and 125,000 bales of cotton in 1939. Much more than good or bad times in 1939 depends on this harvest. The agrarian reforms—

and perhaps the revolution itself—require increased production.

6

The difficulties which beset the farmworker, even in the hour of the triumph of the revolution when land was being handed to him free, have not been escaped by his brother the industrial worker. Nowhere have unions been so successfully organized and so richly rewarded as in Mexico, where the Confederation of Mexican Workers, or C.T.M., is under the leadership of Lombardo Toledano, who is the most important and successful man alive in Mexico today after Lazaro Cardenas. Nevertheless, the Mexican worker is beginning to feel that the red banners are heavy, the parades tiring, and the hammers and the sickles not very satisfactory for furnishing the house and feeding the baby.

The oil companies refused the workers' demands for wage increases, even though their demands were upheld by the Supreme Court, so the government turned the oil fields and the refineries over to the unions. Then the unions learned how difficult it is to manage such enterprises. The upper-bracket workers are not yet receiving the wages asked for by the unions and refused by the companies. Many of the social services are still being withheld. And the workers themselves are wondering now whether they can make a success of oil wells that sand up and let in salt water, and of refinery machinery that goes on the blink. They are struggling

manfully and proudly, but technicians are not trained overnight and the workers worry.

The railways were turned over to the railway union. They were pleased beyond all belief. They elected a union worker to direct the lines and proudly noted that for the first time in years payments were being made to American concerns on account of rolling stock. And then something inexplicable and frightful began to happen. There were wrecks—bad wrecks—and it seemed almost impossible to do anything about them. A few professional organizers raised the cry of “sabotage” employed by the Russian Communists to explain failures. This was not very convincing to a thoughtful railway worker, and the railway man is a pretty thoughtful citizen in Mexico or anywhere else. The truth was before their eyes. Engineers and trainmen got drunk. Workers protested. “I’m just as good a union man as you, and I can’t be fired,” a drunken engineer would say, climbing into the cab. In 1938 alone there were nine major wrecks. I saw one in which forty-two persons were killed and twice as many maimed. I also saw coaches cut out of trains and passengers forced to stand for long journeys because the unions wanted to conserve rolling stock. When you begin to feel that a thing is yours you look at it differently.

The taxi drivers’ union owns the taxis and the auto-bus union owns the autobuses, and I have stood in Zocala Square and heard each group denounce the other for “letting down” the revolution and behaving in the worst tradition of the capitalist.

These things are inevitable. What matters is that while wages have been slowly pushed upward—thanks to the efficient organization of labor—the cost of living has been swiftly pushed upward—thanks to the hasty and inefficient distribution of land. The wage increases have been more than wiped out. The real wage of the worker is less than it was four years ago, and anyone who doubts this can find plenty of willing Mexicans to accompany him to the stores and markets and hear how this price and that has been doubled or trebled. This is coming home to the workers. They are not feeling their oats so much as missing them. As a result, something extremely important happened in the year 1938. The number of strikes in Mexico fell 50 per cent by comparison with the previous years. It seemed to me that Mexican labor was moving toward a more moderate line. So I went to see Lombardo Toledano, the absolute master of Mexican labor, to ask him about this.

I found not the brawny workingman type I had met in John L. Lewis, or the professional politician I have seen in Jouhaux, the Frenchman, or Citrine, the Englishman. Toledano is a college professor, extremely personable, well dressed in gray tweed, every inch the intellectual, and perfectly charming in conversation. I have been told that he is the greatest labor leader of our time, and I certainly have rarely met a swifter intelligence or a more impressive public figure. We came immediately to the point.

"Your unions have taken over oil, the railways, sugar, and similar industries," I said. "How far is this pro-

gram going, and if your unions take over everything what kind of state are you going to have?"

"There is a mistaken idea in foreign countries," said Toledano, "that we intend to continue expropriations until all private industry and business are taken over. That's wrong. Each expropriation in the past has been for reasons justifiable in themselves. For instance, we took over the railways because the government owned 51 per cent of the stock. As for oil, that was an isolated situation prompted by the unwillingness of the companies to abide by the dictate of the Supreme Court. As for sugar, in some cases only was it expropriated—in most cases it was purchased from owners who could not or would not comply with the labor laws.

"As for our general movement, which we call the revolutionary movement, we do not want, just now, to replace private capital with government ownership. We live in an epoch which does not demand that. However, if sometime in the future the moment for complete socialization comes that is a matter which depends upon circumstances—for instance, a world war."

Toledano then categorically disassociated the Mexican regime and the Mexican labor party from Communism.

"We do not believe in the dictatorship of the proletariat," he said. "We have a clear problem. We are eliminating the former feudal system and foreign imperialism which have characterized Mexico in the past. Mexico has been a semicolonial country. We are striv-

ing today for economic independence, and in this struggle the C.T.M. plays what part it can."

I suggested that the struggle against foreign imperialism had brought strained relations with my own country as a result of the oil seizure. Did Toledano foresee a settlement?

"Yes," he said, "because a settlement would benefit both the United States and Mexico. But I don't think, mind you, that a settlement means the return of the properties, or can mean that. The properties will never be returned, under a revolutionary, under a reactionary, or under a Fascist Mexican government. Even under a reactionary or Fascist the properties will never be turned over to foreigners. In my opinion there is only one possible settlement: the companies must be willing to accept payment for their properties. As anti-Fascists we would like to use our oil in contribution toward the fight against the totalitarian governments."

I asked Toledano, as president of the Confederation of Latin American Workers, whether all the workers of the twenty Latin American countries felt as he did and would take sides should war come in Europe.

"Our program," he said, "is to have all workers bring pressure to bear on their respective governments to stand on the side of the democracies in the fight against Fascism. That was the program of the convention in Mexico City. We took this position not only to benefit the United States if the United States throws the balance of power against the Fascists but also as workers

for workers. Unless we are humanitarian and alive to our responsibilities we workers of America will suffer the fate which has overtaken the workers in the Fascist countries."

These are the views of the man Toledano and, having said that, one can add that they are the views of Mexican labor. For this charming, youthful college professor has proved himself one of the most astute politicians in the history of Mexico. He speaks for labor because he is labor's boss.

7

The anti-Fascist ideology of the Mexican revolution has not prevented the Cardenas government from trading with the Fascists. The results of the boycott by the oil companies, fighting back after the expropriation of their properties, have been far-reaching, and only Germany and Italy have benefited. The chief loser has been the United States.

Mexico's imports in 1938 showed a decline of 19 per cent. For the first eleven months of 1937 the imports totaled 550,000,000 pesos and dropped in the comparable period of 1938 to 451,000,000 pesos. If one realizes that after the first three months of last year the peso was not 3.60 but 5 to the dollar the decline was considerably greater. Of this total decline the American exporters accounted for a round 90 per cent, our sales to Mexico falling from 350,000,000 to 259,000,000 pesos for the comparable eleven-month periods.

The total decline in Mexican imports was more than

100,000,000 pesos, and United States exporters accounted for 94,000,000 of this sum. It is necessary to remember, however, that Mexico's shortages in wheat, corn, and rice caused her to increase imports of these cereals from the United States, so that instead of 1,500,000 pesos of such imports as in 1917 Mexico took 18,000,000 pesos of cereals from us in 1938. Had we not sold these grains—an abnormal situation caused by a shortage which Mexico hopes will not be experienced again—we would have lost 110,000,000 pesos of trade in a single year, or more than the actual total decline in Mexico's imports from all the countries of the world. The falling off in sales of plows, radios, hand tools, tractors, and autos reflected Mexico's weakened economic situation and her shortage of exchange, but the decline in our exports of cast iron and steel piping from 8,500,000 to 3,500,000 pesos reflects German barter successes. Similarly, Germany is selling millions of pesos in machinery units, entirely at our expense, but because of late orders and delays in delivery these losses are not yet reflected in the trade returns. In fact, the true gains of Germany are only beginning to be shown, and American exporters only suspect the losses that lie in the future.

The items involved in German barter for petroleum will not appear until the close of 1939. And yet in 1938 we saw a remarkable change already. In 1937 Germany enjoyed only 16 per cent of Mexico's trade by comparison with America's 64 per cent, but in 1938 the figures were 19 and 57 per cent. Italy, moreover,

increased her trade from 5,500,000 to 8,500,000 pesos, an increase of 50 per cent when the different values of the peso are considered. And here again these figures do not include the recently negotiated barter deal of petroleum for rayon yarn which had finally driven duPont from the Mexican field.

America still retains such a large share of Mexico's trade that Washington need feel no undue alarm unless the oil controversy continues and Mexico's crisis worsens. The Mexicans are not so tightly drawn into the economy of the totalitarians as to cause fear that economic dependence will change to political dependence. On the contrary, so long as the Cardenas group maintains power nothing is likely to change their allegiance to an ideology which bitterly opposes the German and the Italian way.

There is evidence that those two governments understand this situation. While they have scores of agents in Mexico and employ their well-organized German and Italian colonies, I could find no evidence as yet of their employing money to force the situation. German and Italian citizens do not suffer the same delays as Americans in trying to squeeze through the red tape of papers for residence, and I was told that they had spent money in the proper ministry. Even if this be true it is of no very real importance. Similarly, there is evidence that Fascist money goes to a number of Mexican newspapers. It suffices to read their "canned" copy—"A list of the conquests in Latin America by the Yankee imperialists" and similar heavy-handed

items carried baldly under a Berlin date line. A number of editorial assistants on the conservative newspapers are believed to be on regular German pay rolls, and their newspapers certainly reflect the German view that the United States is a land of lynchings and labor unrest and that William Randolph Hearst and the isolationists represent the truly pro-German nature of a country which is being driven into war by Jews and Communists. Roosevelt's peace plea to Hitler brought headlines in Mexican conservative newspapers over German-written stories which declared, "Americans More Frightened by Roosevelt's Note than by Invasion from Mars." The corruption of the press is not enough in a country where newspapers do not reach 60,000 circulation. The important thing is that neither the Italians nor Germans have started pumping money into the coffers of Mexican Fascists.

The real German effort has been through the Spanish Falangistas, or Franco Fascists. The German Gestapo is openly working with this group. The Spaniards are the largest foreign colony in Mexico, and many of them are extremely wealthy and conservative. It is in these quarters that a foreign journalist hears open talk of armed revolution. They are confidently predicting an alliance of oil-company money—without any reason for that confidence—with Spanish, German, and Italian agents behind one general or another who might overthrow Cardenas and end the Mexican revolution. I think Cardenas has been effective in expelling the major offenders—Spaniards sent over by Franco and Ger-

man Gestapo agents who stirred anti-Semitism. Such a revolution is not likely to meet with success unless the Catholic Church approves of it, which appears extremely unlikely. The church has had reason to regret the Cristero revolution in Mexico, which collapsed, and the recent lesson of Spain is too brutal a memory. Cardenas, moreover, has carefully tempered his attitude toward the church, so that Mass is being held all over Mexico and church schools operate clandestinely. The church still suffers much at the hands of the Mexican revolution and is bitterly opposed to the constitutional provisions which separate church and state and require "socialistic" education in the schools. Yet, after some of the excesses of past administrations, Cardenas has shown a real desire to avoid any further conflict. Mexico has changed when radicals like Mujica—a leading contender for the presidency—assures me that he stands for "liberty of religion."

On paper America's losses to the totalitarians are very real, and German trade gains will increase; but with the oil controversy once settled the United States should have nothing to fear from a southern neighbor that is neither anti-Yankee nor pro-Fascist.

8

In a country completely under the domination of one man, as Mexico is, a journalist must interview that man if he is to understand the country's policy. Cardenas is an extremely difficult man to interview. He has had bad luck with American journalists, and he feels

that the American press is unduly influenced by oil-company propaganda. After some difficulty I got a wire in Mexico City telling me that the President would receive me three days later. Only, the place of the interview was Torreón, a city in the north, twenty-four hours away by train. This man Cardenas likes to go out among the people and hear their problems and complaints firsthand. As a result, his "White House" is anywhere he can hang his hat.

When I arrived in Torreón I found that he was hanging his hat some four hundred miles east, over sand dunes and mountains, in Saltillo, the capital city of Coahuila. James G. Byington, the American vice-consul, graciously offered me his Ford car. I drove to Saltillo, where the President was busy and where his secretaries had never heard of an American journalist named Whitaker. I was looked upon with suspicion. Clearly I was a gate crasher. Shortly before midnight I found Castillo Najera, the Mexican Ambassador in Washington, an old friend from Geneva, where Najera had been one of the ablest negotiators and diplomatists who ever collaborated at the League of Nations. Physician, general, poet, and diplomatist, Najera is a remarkable man. He took me to Cardenas at the unlikely hour of midnight and arranged an interview in the great man's private train.

Sturdy as the simple peons from whom he rose to become Mexico's greatest revolutionary President, General Cardenas impressed me as a man who is sincere and stubbornly devoted to Mexican nationalism

without being fanatical or anti-Yankee. As fresh as if his workday had not begun at five-thirty that morning, he said frankly that war in Europe was the gravest danger confronting the American continent and that all differences ought to be smoothed away so that the twenty-one American republics could stand united and resolute behind their common belief in the ideals of democratic and humanitarian government. He revealed, moreover, that the struggle between his country and the great oil companies was on the way to settlement.

"I think you can say, for the first time since the deadlock which led to the expropriation of the oil fields, March 18, 1938," he told me, "that we are negotiating for a settlement, with good will and a desire to reach an accord being shown on both sides. That is half the battle. We are still negotiating. I believe that we will come to full agreement within the year."

The President had conferred early in the day with Donald R. Richberg, former New Deal executive, who is now special representative of the Standard Oil, Royal Dutch Shell, and other companies. Since Mr. Richberg's companies will not buy Mexican oil, Cardenas is compelled to trade with Germany and Italy. I asked, therefore, what he would do in the event of war in Europe.

"I am a general who believes in peace, and I hope war will not come," he said laughingly.

"You are also a politician who knows how to turn a question," I said.

The President chuckled. Then his face became grave, almost as black as the close-cropped, wiry hair of his *mústache* and head. He sat very erect in his plain gray business suit, his eyes as clear and unsmilingly direct as those of some Aztec emperor before the Spanish conquerors came.

"Yes, you are right," he said. "The imminence of war in Europe is the gravest problem that faces this continent. If war comes, Mexico will do what it can for the European democracies. It may be a contribution of no value or it may require a real effort. But there is no doubt where we stand or where we will stand. For those who share with the Americas a common belief in the democratic and humanitarian ideals Mexico will do what it can."

The President then made it clear that all of the Americas would be united. He gave me the impression that the measure of Mexico's activity on behalf of the European democracies would depend, like that of the other Latin American states, upon the lead which they receive from Washington. Meanwhile it was the business of American governments to smooth away such differences as divide them. He was confident the oil problem—most serious of these differences—was on the way to settlement.

I found this optimism shared by Mr. Richberg. He seemed impressed, as I was, by the sincerity of the President, his incredible capacity for work, the sense of humor with which he relieves conversation, and—most important of course—his very real desire to settle

the oil and any other controversy which divides his country and the United States.

The difficulties of an oil settlement are very real indeed, and they have not been improved either by the demagoguery of certain Mexicans or by the propaganda of the oil companies. The right of Mexico to expropriate the fields cannot be challenged, despite the arguments of the companies. But expropriation becomes confiscation where adequate and prompt compensation is not made. The Mexicans have protested their intention to pay but argue that the oil companies have refused to agree to a valuation of the properties. The truth is more brutal. Mexico has \$1,000,000,000 of foreign debts and interest in default. Mexico does not have the money to pay for the oil properties unless she pays out of oil earnings, in the first place; and she denies, in the second, that the companies ought to be compensated for anything but surface investments, since, according to Mexican law, the subsoil and petroleum belong to the state. The companies argue, however, that they will not accept payment out of earnings of their own properties and insist that the subsoil and oil are theirs, despite Mexican law, because they took the financial risk involved in finding oil.

President Cardenas and Mr. Richberg have worked out an ingenious formula to cut through these deadlocks. They have agreed, I understand, to ignore both the question of the legality of the expropriation and the whole matter of disputed valuation. They are work-

ing, instead, on a plan whereby Mexico will give the companies a long-term contract for the production of Mexican oil. A percentage of the profits on the sale of this oil abroad will go to the companies and their shareholders, so that past and future investments will be fully paid and Mexico in a few decades will own her own oil.

This seems a workable basis for solution, but time, patience, and good will are required. Mr. Richberg has to keep his clients in line, on the argument that although they may lose face they will be repaid this way while the old-fashioned methods of fomenting revolution or armed invasion are likely to get them nowhere. Equally important, he must persuade them of the good faith of the Mexicans whom he has brought around to virtual agreement, since investors need something more than what they have seen in the immediate past before they are likely to risk further investments in Mexico.

Cardenas, in the same fashion, must educate and bring around the factions which compose his own government. The unions are now operating the oil fields and refineries. They are inordinately proud of the fact that this is being done by Mexicans. A measure of joint Mexican-foreign management must be worked out, therefore, which saves the face of the Mexican union and at the same time assures foreign capitalists a sufficient control of the enterprises. This is made no easier by the fact that the Mexican reactionaries, who are in

opposition to Cardenas and anxious to have the oil companies finance another revolution, will be the first to exploit and attack an accord.

It is doubly significant, therefore, that both President Cardenas and Mr. Richberg are confident that they can overcome these further difficulties. Certainly the temper of Mexico is one of moderation, despite the fact that President Cardenas felt that others had exaggerated this to me. Strikes are down 50 per cent in the past year and, with economic production low and the financial situation of the country worsened by the flight of capital, politicians and labor leaders alike stressed a note of moderation wherever I talked with them.

General Cardenas wanted no misunderstanding about this. He wants to settle the oil controversy—a struggle he never wanted in the first place and feels that the companies forced upon him. But Mexico is loyal to the revolution and the Constitution of 1917. President Cardenas means to go ahead with his dream of a Socialist state and he has no intention of following predecessors like Calles who started as radicals and ended as conservatives.

"My real work consists," he said, "of agrarian reform and education. Did you see the Laguna? They will tell you that it is a failure. That's not true. There are 1,250,000 acres under cultivation and you will never see more beautiful wheat or cotton. It is being farmed by peons to whom we have returned the land."

I interrupted to say that I understood that President

Cardenas in four years had expropriated and distributed 30,000,000 acres—more land than in the whole twenty years of the revolution previous to his administration. I intimated that he had gone ahead with the work betrayed by certain of his predecessors.

“Oh, no,” he said, unwilling to attack enemies like Calles. “I have had a greater opportunity than others. They were busy with other things—civil strife and the like. No, the revolution goes on until we have the kind of land which we have planned. Expropriation of oil is a side issue forced upon me, and I want to be done with it. Education matters to me most. We are building schoolhouses and citizens.”

I remarked that one of the men waiting in another coach of the President’s private train had told me that he was an architect.

“Yes, he has the plans for seven new schoolhouses that I want to look over,” he said. “I mean to build a schoolhouse for each church in Mexico.”

This was a remarkable President, I thought, working after midnight on plans for schoolhouses. He neither drinks nor smokes. He takes no afternoon siesta. Five hours’ sleep suffices. He is up every morning at 5.30 A.M. He swims or rides horseback and then begins a day of work. After their four-hour conversation Mr. Richberg had gone to bed to rest through the afternoon. President Cardenas went to the new concrete stadium to review the athletes of Saltillo’s many schools, to talk with local politicians and various delegations. Afterward I watched him shake hands with

thousands of simple folk, talking as one of them. In his special train, when his secretary inscribed me for the interview at midnight, I was the eightieth person or delegation received in a single workday. I apologized for taking his time.

"Najera and I have too much work to need sleep," he said.

Najera has been working desperately for an oil settlement. But he looked exhausted after such a day's work and we exchanged glances, ready to depart.

"Oh, no," said the President smilingly. "I understand that you were in Spain and that you saw the Germans come into Austria and Czechoslovakia."

At 1 A.M., with a six-hour automobile ride and a train journey to Mexico City before me, the journalist had to be interviewed. And once again I was impressed with this plain but far from simple President. I have rarely been subjected to such informed, intelligent, and searching questions. I told him so.

"We Mexicans are realists," he said.

The President has described himself better than the journalist could.

9

The hardest job for a President of a country like Mexico, after he has once come to power, is to turn loose that power. Cardenas was elected in 1934 and his term expires at the end of 1940. The President is already looking for a successor. And there are a good many candidates for the job.

Outstanding among them is General Avila Camacho. If the election were held immediately, he would be the next President. He has the support of Lombardo Toledano, the leader of the C.T.M., and that is tantamount to election unless General Cardenas turns to someone else. Just now Cardenas is biding his time. He does not want a hand-picked candidate who will develop opposition and internal strife.

Free elections have been promised for next year, and there is no doubt that this is what General Cardenas wants—what he wants if free elections can be held safely. In the time of Diaz 85 per cent of the Mexican people were illiterate. Today the figure has been reduced to 55 per cent—real progress, but not sufficient to commend the full workings of the democratic principles.

General Camacho is a good compromise candidate. He was Secretary of War and as such he has the confidence of the military. He is a good left-winger and as such he has won the support of Toledano. He has a further advantage—a brother who is the governor of the state of Puebla, and who is as conservative as Cardenas is Red. While Avila Camacho fraternizes with the laboring classes, his brother drinks whisky and soda with the rich, plays polo, and tours around in a swank Cadillac, saying, "You just leave that brother of mine to me and we'll be done with all this nonsense about revolution."

The incredible thing is that Avila Camacho should have won the support of organized labor. A good many

labor factions do not like his type. These soreheads have a queer explanation for his selection. They say that Camacho and Toledano were born in the same village, Teziutlán, in Puebla, and were schoolmates. They say that Toledano has promised labor's vote on the idea that, at the end of Camacho's term, Toledano will be selected as his successor. This sounds enough like politics anywhere in the world to be convincing.

Avila Camacho, as a candidate, is not very convincing. I went to hear him speak before a vast assemblage in the Mexico City bull ring. The newspapers are not very important in Mexico, and instead of your friends' buying a full-page advertisement of endorsement, as in the States, in Mexico they organize a parade. It costs about one peso a head for a really good parade, but sometimes a little tequila or pulque is enough. The labor-union leaders compel their membership to turn out—a worker can be told by the unions not to report for work for a week if he misses a parade, and a man does not like to be docked wages by the union any more than by the boss. With labor behind him Camacho had a grand turnout in the bull ring—red banners, uniformed school children, and thousands of Indians, alternately glum and alternately given to crying out “wisecracks” and starting “horseplay.” But except for the crowd it was an awful flop. Camacho stood on the side of virtue against sin, but he was not very precise and the crowd was restless. If it had not been for the fireworks let out of balloons cruising overhead, he might have lost his crowd.

In private conversation Camacho is not very convincing. On the posters his jaw is thrust out a la Mussolini, and he really looks like a general of division and a strong man. In real life he is a fat-jowled, affable, and not very impressive personality. There is one fat boy with the same wide eyes sitting on the front school bench of any primary school in the States. These boys get bigger and older, but they never grow up. They are likable, however, and Camacho was very courteous and very obliging to a journalist. I tried to word a question ingeniously to suggest that when he came to power the revolution might be tempered with moderation.

"The revolution is as simple and natural as day and night," he said. "It can change its shapes and forms. Because it has been one way, that does not mean that it may not be another way. But it changes and it does not change."

I thought this was as clear as night and day, and I asked him about relations between our two great countries.

"Geographically the two countries must march together," he said. "Our collaboration is decided more by nature than by volition."

"And oil, your excellency?"

"It is my opinion that the oil controversy will be settled even before the end of the Cardenas administration."

This is the most likely successor to Cardenas. I think the enemies of Mexico had better drop their Red-bait-

ing. His Excellency, General of Division, Avila Camacho is about as Red as Harding.

The really Red candidate is Francisco J. Mujica, I was told. He impressed me as an extremely mild and intelligent gentleman. "As a result of the Roosevelt policies," said this fire-eating Red, "the Mexican masses have been losing their old idea that the United States is imperialistic. We believe the two peoples can become sincere friends." Camacho was only the candidate of certain labor leaders, Mujica thought. "The rank and file are not behind him." Mujica ended by suggesting that the Mexican revolutionaries had come to a point now where religious freedom was desired and respected. Not very Red in his conversation with me, this radical, Mujica. And other "dark horse" candidates with whom I talked gave me the same impression: that, whoever comes to power now, Mexico is heading toward a more moderate period—unless hard times and a change in the "good neighbor" policy intervene. At least that is their line just now.

Strongest of all the men available for the presidency and White hope of the conservatives is General Juan Andreu Almazán, commander of the Monterrey military zone. General Joaquin Amaro, of the same conservative clique, let loose a bitter manifesto against Cardenas and got cashiered out of the army; Almazán is too clever for that. He is "available" and, though his candidacy is announced, he does not push it. Everybody in Mexico knows that his election would mean a turn-about-face against the revolution. Most observ-

ers believe, therefore, that he can never be President without an armed rebellion, and that is not possible unless the United States winks at border supervision and lets arms flow into Mexico—two very unlikely contingencies. This man impresses you in conversation as a “strong man” and even the cab drivers say, “Almazán is a real general,” and any Mexican schoolboy can tell you he has commanded more troops than any other general since Santa Anna and that he is a real strategist. His supporters, however, are the rich in Mexico City, and the rich are timid about revolution—and there are a thousand miles stretching between Almazán’s army in the Monterrey region and Almazán’s supporters in the banks and business houses of Mexico City. There is not much time stretch, however, since a general named Cedillo attempted revolution and was shot down by the loyal troops of President Cardenas. It is one of the real triumphs of the Cardenas administration that this is the only blood on his hands, and it is generally agreed that Cedillo played the fool, declined the opportunity offered him to fly out of the country, as Calles did, and forced the Cardenas army to clean him out. Cardenas told a friend of mine, “I have many people who oppose my policies, but I have no personal enemies because I have brought personal harm to no man.” There is truth in this boast, and there is the strength that comes to a man when the public knows that if civil strife comes Cardenas will not have been the aggressor.

Many observers, consequently, minimize the can-

didacy of Almazán. He is not only a very able general, he is also an unusually successful hoarder of fortune. His investments are estimated at between 18,000,000 and 20,000,000 pesos. As a very acute Mexican politician observed to me, "A man like that doesn't risk revolution and doesn't risk an election which he cannot win. And Almazán cannot win unless he gains the approval of Cardenas. Almazán will push his candidacy until Camacho or someone else is clearly ahead; then he will withdraw for assurances that his own fortune will be protected." This sounds like political horse sense to me. There is a final consideration against the likelihood of Almazán's candidacy gaining favor. He has a signed photograph of Vice-President Garner in his office at Monterrey. A Mexican who really wants to be President is not likely to hang the picture of Garner or any other "gringo" in his office. It is as silly as if Garner should hang up a picture of Hitler.

It looks as if Mexico is going to have a proper election—not a revolution. And it looks as if Cardenas is going to pick a man to whom he can relinquish power—but gradually, not on the day he hands over formally.

VIII

THE essential blunder of the British and the French is now clear. Enough time has passed, and today even the politically naïve can understand it. The British and the French did not see why they should concern themselves with what happened to Manchurians, Ethiopians, Austrians, Czechs, and Spaniards. They cared more for their own peace and security than they cared for these "remote" peoples. And who can blame them? The fact that you sympathize with people halfway across the world does not justify your plunging your own country into war. Unless your own security and the peace and happiness of your own people are involved, you think a long time before you do that. The mistake of the British and French lay in not understanding that these acts of aggression affected not Manchurians, Ethiopians, Austrians, Czechs, and Spaniards alone but also their own security—the ability of the British and French to defend themselves.

The British did not understand that Japan's success in China would create for the British navy a two-fold task bigger than that navy could undertake or that Italy's success in Ethiopia would cut British imperial communications and raise against London a

smoldering revolt throughout the Arab world. The French did not understand that Austrian Anschluss would sap mutual trust out of the Eastern alliance system or that the victory of a German-controlled Franco in Spain would establish five concrete airdromes full of German bombers in the Spanish Pyrenees, only an hour's flight from war industries which France had moved out of the Rhineland south to the Toulon region. And the British and French did not understand that the conquest of Czechoslovakia would remove the bastion of their defense which struck deep into the heart of Germany, gave Russia her one chance to take the offensive in behalf of the entente allies, and forced Germany (before that country could hurt Britain or France) to crack the nut of forty Czech divisions which were ready to play the role of sacrifice troops.

Because the man in the streets of London and Paris did not understand these things the governments of Great Britain and France temporized, yielded, bluffed, hoped, turned their eyes away from the fact that is Hitler, bungled, and went finally to Munich. The trip to Munich was the Canossa of European civilization. The Briton and the Frenchman understood too late. The Briton understood when he heard Chamberlain's tragic, broken voice over the air that night when all bluff had gone out of him, when he had told Hitler "yes" and "yes" was not enough; when the old man with the umbrella thought that his country was going to war with no army conscripted, no new ships built, no superiority of aircraft coming out of the "shadow

factories," no proper anti-aircraft guns—nothing but five years of governmental lies which were no longer convincing in face of the fact that is Hitler—nothing but lies that did not convince and gas masks that could not protect. And the Frenchman learned too late. He learned when he saw the shame and the humiliation in the face of Daladier, a French premier who had betrayed an ally, coming home to a country which was turning out forty-six airplanes a month against nine hundred airplanes a month in Germany; a premier of France who added to the humiliation of Munich the horrible mock triumph of Paris, where thousands, still not understanding, cheered for a peace that was no peace.

Will the Americans make the same blunder? Will they be as blind as the British and the French? Will the stockbrokers, the miners, the evangelists, the realtors, the businessmen, and the string-tie orators lose American Manchurias, Ethiopias, Austrias, Czechoslovakias, and Spains? Will they hold four aces, as Chamberlain held them at Munich, and throw in the winning cards only to understand too late that they never again will hold as good a hand? Will they send some President to an American Munich?

The answer lies in whether they understand in time the political meaning of Hitler and how this man—the dominant political fact of our time—has swept from victory to victory. The "Peace of Munich," Hitler's greatest success, punctuated a phase of history—for the New World as well as for the Old. Unless expansive

pan-Germanism encounters a more stubborn, rugged, and powerful force, the future belongs to Grosser Deutschland. Mohammed in his time, Napoleon ten centuries later, and today Hitler. Once again there are a man and a system which bid for the domination of a world which, as in the time of Mohammed and in the time of Napoleon, has neither common ideals nor political unity. Men tell themselves—especially in the New World—that Hitler is a monster, a Jew-hater, a bully, a flash-in-the-pan. These aspects of the man do not explain Hitler. He is a fact, the personification of a political force which is to prevail unless there is a greater counterforce.

The American public extended a quick and generous sympathy to the Czech people, but the dismemberment of Czechoslovakia was not the significant fact at Munich. Hitler's success lay in challenging and destroying the balance of power in Europe. He became a modern Mohammed or Napoleon not by what he did to the Czech nation but by the fact that Great Britain, France, Russia, and what they represent could not prevent the imposition of the German will. What the British and the French did not understand Hitler understood clearly. When they accepted his demands Hitler increased them, even though Hitler knew that in such a war at that moment Germany could not win. Chamberlain found, as someone said facetiously, that Hitler was the kind of dictator who cannot take "yes" for an answer. Precisely. His victory lay in the imposition of the German will.

Against the rise of a Napoleon the accumulated statesmanship of modern times has found but one successful defense. This is the balance of power—the creation against the would-be Napoleon of a preponderance of power too great to be challenged. Against the threat that one shall rule, all the others have combined. But the success of the concert or coalition as a force for peace depends upon its ability to marshal an overwhelming preponderance, a military power too great to be challenged by the would-be aggressor. The Anglo-French bloc was confident of its own military superiority had it come into collision with the German system at the time of Munich, but the margin of that superiority was not sufficient to make its will prevail over the German will. For where the odds are no more than sixty-forty the determined and reckless aggressor generally can count on a paralysis of those who stand on the defensive—static not dynamic forces. And the dynamic, expansive forces can no more come to a halt than a bicycle rider can pedal standing still.

At Munich Hitler destroyed the balance of power in Europe. It is of no consequence that millions of wishful thinkers in the United States should “feel” certain that rich democracies like Great Britain and France cannot be defeated by Germany, “a bankrupt police state.” Those millions do not understand the workings of the balance of power. It is of no consequence that the British and French should arrange “stop-Hitler” coalitions with Poles, Rumanians, and Russians. They will not be sufficient while Hitler lives. Since

Munich Germany has become the first military power of the Continent, having added to her rearmament and her man power the raw materials of Czechoslovakia, with access to those of Rumania as well as the strategic advantage of a Fascist ally in Spain. The "stop-Hitler" coalitions may be strong enough to defeat Hitler in the field if they are willing to precipitate war and take the offensive against him when the moment is most opportune for them, but they are not likely to prove strong enough to *stop* Hitler. Because to *stop* Hitler such coalitions must *crush* him, and those coalitions do not have a preponderance of power sufficient for them to embark lightly upon the slow, costly, and horrible task of crushing a very nearly equal foe. They will stand on the defensive, postponing the evil day. Instead of stopping before such defensive coalitions, Hitler will only need to hesitate, leave Albanians to one of his allies, bargain, divide, and rule. Hitler with his new techniques and his carefully integrated program has seen to that. His slogan is, "Not East, not West; but whichever way is best." And he has prepared the terrain psychologically. Are Poles, Rumanians, and Russians likely to maintain through all emergencies their confidence in the solemn guarantees of a Britain and France which undertook equally binding engagements to defend Czechoslovakia in her original and then in her dismembered frontiers? The balance of power in Europe was shattered at Munich and an indivisible, unbreakable entente coalition, even should it include Italy, is hardly likely to be restored. If Britain and

France risk all in war, they have a chance to win; but short of war they are not likely to restrain Hitler's piecemeal conquests, which progressively increase his advantages—affording him jumping-off places for attack and rendering him immune to British naval blockade. Munich destroyed the European system and punctuated a phase of history.

The balance of power has passed to the Western hemisphere—the balance which stands between two evenly divided groups and shifts the decisive weight against the would-be aggressor. The power for stability which has resided sometimes in Paris but most frequently in London has now passed across the seas. Washington today is the capital of the world. Whether they are prepared for it or not, the stockbrokers of Wall Street, the tenant farmers of Arkansas, the meat packers of Chicago, the Ford workers of Detroit, the Georgia and Florida crackers, the oilmen of Oklahoma, the miners of Montana, and the string-tie orators of Washington, D.C., hold the destiny of the world in their hands. The responsibility has become theirs. They hold the preponderance of power. They can decide that his bid is for world domination and stop Hitler, or they can decide that he is a purely European phenomenon and retire into the more or less traditional isolation of this country. However they decide, the decision will be historic.

Allied to Hitler are two disruptive and expansionist forces—lesser in degree but not in kind—the Japan which has invaded Manchuria and China; the Italy

which has invaded Ethiopia, Spain, and Albania. Against the unbroken combination of powers which stand for peace and "business as usual" these three states have no preponderance of wealth or military strength. But against divided and broken groups they enjoy vital advantages—strategic position, war-footing mobilization of industry and men before war is declared, joint cooperative attack, and the daring of a ruthless and predatory way of life. To divide and break the liberal democracies Hitler and his allies have developed new techniques of trade aggression, propaganda, and international terrorism which have been invariably and universally successful. Just as cooperation between the United States and Great Britain broke down when Japan invaded Manchuria, so France and Britain were skillfully divided on Ethiopia; so, too, Austria, Czechoslovakia, and Spain fell not because the aggressors were invincible but because those countries which believe in the fraternity and the reasonableness of man had no common front. If Hitler's bid for world domination succeeds, the epitaph of liberal civilization will be easy to write.

The people of the United States must make their historic decision whether to exercise the balance-of-power position which history in its slow evolution and science in its rather startling progress have forced upon Washington. They can close the common front, or they can stand on neutrality and isolation. They can see the rising strength of Germany, Italy, and Japan as a potential threat to their own peace, prosperity,

and happiness, or they can decide that the United States remains secure within its oceanic boundaries. But however they decide the issue they must not blink at the facts. Hitler is a fact. The destruction of the balance of power in Europe is a fact. And out of those two facts emerge dangers which the United States must face—dangers which we have never had to face before in the period since we have been a major world power, enjoying a greater share of the world's gold and the world's trade than any other power and risking, consequently, the greater envy of our neighbors.

The first danger is plain, or ought to be. If Hitler and his allies should provoke Britain and France to war and crush them, the United States would find itself isolated and alone—isolated and alone against the strongest military coalition conceived of in modern times. We would have, moreover, the gold which we as neutrals would have drained from all the belligerents, and the victors would be under a powerful compulsion to use their well-tried war machines against us. It would be problematical, no matter how far we had carried our rearmament meanwhile, whether this country, alone, could defend its financial position, its trade, and its frontiers against such a victorious combination. The implications of such a shift in world power are plain. The odds are against a swift and easy victory of the sort. But the danger is there—a danger sufficient to cause the War and Navy departments to reexamine the strategical considerations upon which our defensive preparations in the past have been based.

The second danger to American security is less obvious. By taking Manchuria, Ethiopia, Austria, Czechoslovakia, and Spain the aggressors have reduced the *will* of the British and French to resist as truly as, by taking strategic positions, they have reduced their *ability* to resist. The man in the streets of London and Paris, no less than Hitler himself, shakes his head dubiously when the Foreign Office or the Quai d'Orsay issues communiques about "stop-Hitler" pacts with countries like Poland and when Chamberlain in the House of Commons reverses his policy. In each country there are defeatist groups. Without the aid of the United States it becomes increasingly difficult either to stop or to crush Hitler. Many Englishmen and Frenchmen foresee a short war in which Hitler will win or a long war in which the equally pitted sides will emerge equally destroyed. They ask themselves, "Why fight Hitler if we are not sure to win or if the alternative is a long war which will destroy us?" "Hitler," they tell themselves, "is a world force, not merely a European problem; but the United States, with its neutrality legislation, will not even agree to sell us arms."

If the price of terms with Germany were a free hand for Hitler in South America, would London and Paris fight or accommodate themselves to Hitler's terms? The answer is not easily given. It is well to remember that such terms were put to England before the World War, when Kaiser Wilhelm was Germany's Fuehrer. The Germans then told the British, in secret negotiations, that there need be no war between the two

countries. Germany demanded two things: (1) it was necessary to crush France; (2) it was necessary to have Brazil as a German colony, looking toward Germany's eventual domination of South America. The men who governed prewar England declined such terms: they knew that the destruction of France (meaning the destruction of the balance of power in Europe) would enable Germany to destroy Great Britain and gain world domination. Will Chamberlain and postwar England behave similarly if offered similar terms? If Hitler had a free hand in South America, it might not be necessary—in such a “deal”—to crush France militarily. It might be enough for France to go Fascist—not too difficult with France abandoned by England and with the City of London employing its financial means toward that end.

The ability of the United States to defend South America and ourselves against Germany, Italy, and Japan—should Britain and France be “neutral” against us, as they were “neutral” against Republican Spain—would be questionable in the extreme. American military considerations have never been based, since we have become a major power, upon the possibility that the British navy might be either hostile or neutral in any war involving us. Our military establishment and our war industries are woefully inadequate today for this task. It would take us two years to produce as many military airplanes a month as Germany alone now produces. And such a war might easily be won or lost in two years.

The possibility that the United States will be confronted with this task seems remote. It is unlikely that Great Britain and France will come to such terms with Hitler and his allies. And yet it is not impossible. The Chamberlain of Munich is not above it, and the British and French people, until they believe that there are worse things than war, are not above it. It amounts in essence to the British and French taking toward the United States the attitude which we now take toward them—the isolationist point of view that “it isn’t our show.” So long as Hitler and his European foes are nearly equally pitted, so long as the United States does not exercise its decisive balance in the preponderance of power, then our admirals and our generals must face this as one of the credible eventualities. And our citizenry would do well—if it wishes to survive—not to blink at the facts of American security.

The defense of the United States is not a matter of repelling forces landing on our continental mainland. It consists, first, of maintaining a balance of power which spares us single combat against a superior foe. It consists, secondly, of maintaining naval and air bases at proper distances and proper strategic points off the continental mainland. It consists, finally, of preventing the establishment in adjacent or near-by lands of military, naval, and air bases, or political systems inimical to our defense.

Canada is linked to us by blood and a common civilization, and President Roosevelt has announced our realization that we must defend its frontiers as if

they were our own—for that, in military fact, is what they are. But what of the other adjacent and near-by lands? In the twenty Latin American “republics” to the south lie the social, political, and geographic potentialities which our foes need. Among the South American dictatorships it is possible for Germany, Italy, and Japan, singly or in combination, to create our Manchuria, our Ethiopia, our Austria, our Czechoslovakia, and our Spain. If we have our Munich, it will be somewhere in the Southern continent. Any attack upon the United States must come by way of South America, from bases established in former democracies which have gone the way of Franco Spain.

In the dawn of American sea power Admiral Mahan wrote: “One thing is sure—in the Caribbean sea is the strategic key to two great oceans, the Atlantic and the Pacific; our own chief maritime frontiers.” True then, it is doubly true now that we have constructed the Panama Canal and made that the vital and vulnerable point in our naval defense. To endanger the Panama Canal and our naval action from supporting bases, enemy powers must establish allies and bases in South America. Today there are German airplanes, ostensibly commercial though few passengers are flown, which land at German-built airports far in the interior of Brazil—only five hours’ flying time from the Panama Canal! The defense of the United States was extended to the Caribbean with the construction of far-cruising warships. With the coming of long-flight bombers the key to the Caribbean and thence to the defense of our

continental mainland lies in the friendship or hostility of American countries thousands of miles to the south. It is from South America that enemy warships and aircraft must jump off. If our fleet arm is crippled and American cities are turned into Guernicas and Barcelonas, it will have been out of South American bases that enemy warships operated and off South American airdromes that enemy bombers flew.

It is time, therefore, for the American public to establish the facts and face them. To establish the facts we must develop, in the first place, an adequate knowledge of South America. We must have a realistic approach, based primarily on considerations of our own defense. Most of us know very little of South America, and what we do know is based on special pleading for almost everything except a realistic appraisal of our own vital interests. Our diplomats have wearied us and made us suspicious with too much hands-across-the-seas guff about "democracy" and our Pan-American "good neighbors." Our businessmen have betrayed our confidence with talk of new "Eldorados," ready for the investor and the salesman. Our guidebook writers have gilded the picturesque until we have no notion of the human or the political. And our journalists have too often had something to "sell"—sensationalism or a left-wing slant or a point of view not based on what we need to know for our own defense when we try to deal with these smaller states to the south.

One lesson is plain from what we have seen in the key countries of Latin America. Germany, Italy, and

Japan are challenging the Monroe Doctrine in overt and confident hostility to the United States. Their confidence is equaled only by our own unawareness of the challenge and the danger. We are a business-minded nation, hell-bent on prosperity, and we take our heritage for granted. We forget that the peace and security and freedom of the United States were not bought and paid for in 1776. And we forget that, though it is an anomaly, to enjoy peace we must be willing to fight.

If the people of the United States are to learn from the bitter disillusionment of Europe, they must begin their moral rearmament and they must evolve a national-defense program. Only by guaranteeing the defense of the southern neighbors can they defend their own continental mainland, and only by evolving a general foreign policy and a general program of defense can they guarantee the southern neighbors. America's answer is a united continent, but without a general program we cannot unite the continent. A rational approach to an American foreign policy ought to embrace four points:

1. The repulse of any attack upon any American republic as an attack upon our own mainland.
2. The creation of a board of national strategy, whose first recommendation would be the construction of the Nicaraguan Canal.
3. The furtherance of trade relations in an effort ultimately to unite all the Americas in one great free-trade area.

4. The establishment of an American League of Nations.

Any attack on the American continent—north or south—affects our vital interest. President James Monroe enunciated this policy for our southern neighbors, and a hundred years later President Franklin D. Roosevelt has extended it to include Canada. The Monroe Doctrine specifically includes political interference as well as military assault, and that great state paper has been recognized as part of the body of international law. Against the foreign power which attacks any one of the American republics the United States will fight. "The peace and happiness," as Monroe said, of the people of this country, depend upon the independence of its neighbor republics and their freedom from foreign interference. For our peace and our happiness we will fight. Any attack anywhere in this hemisphere is tantamount to attack against the United States.

We ought, in connection with our rearmament and our general foreign policy, to have a nonpartisan board of national strategy. The British have employed for years a committee of imperial defense, which lifts the vital defense of the empire above the political exigencies of the government that happens to hold power at the moment. The President of the United States ought to name and to lean upon such a board. It would include all living ex-Presidents and ex-Secretaries of State; responsible leaders of the opposition parties; directors of finance, industry, communications, and the like, labor leaders, delegates of the press and of the

church, the head of organizations like the Red Cross, and designees of both houses of Congress. Its meetings ought to be ultrasecretive, with assurances by publishers that its deliberations are never to be the subject matter of news stories. Its immediate contributions to a more efficient democracy would be twofold. In the first place, it would provide the administration of the moment with the advice and technical assistance of the "best brains" in the country on every subject of national importance. In the second place, it would lift problems of national defense above partisan debate. An American President could suggest to such a board that certain matters ought not, for reasons of national defense, to be the subject either of publicity or of partisan attack. If the board agreed, various members could seek the cooperation of Congress, the press, business groups, or organized labor. Much pernicious strife and much work at cross-purposes could be avoided. To use only a single illustration, such a board might have spared Washington the present Mexican problem. The Standard Oil Company, the C.I.O., and the Roosevelt administration were all working at cross-purposes, despite the implications both for the "good neighbor" policy and the program of a united continent. The three should have come to agreement, so that the United States could have dealt with Mexico. Similarly, such a board is needed in dealing with Latin America, to decide when business as such and when the government, through an agency like the Export-Import Bank, ought to intervene.

A board of national strategy would immediately interest itself in the Nicaraguan Canal and in certain islands needed for American air bases. Nicaragua wants the canal. The War and Navy departments need the canal. The problem should be viewed as a problem of national strategy.

The furtherance of our trade relations is an immediate necessity. We have permitted the German program to go very far in Latin America. Since the rise of Hitler, and the development of Nazi trade tactics, Germany has doubled her sales to the more important countries. Today she sells not 12 but 24 per cent of all the goods purchased by Brazil; not 10 but 19 per cent of Peru's imports; not 11 but 26 per cent of Chile's purchases; not 13 but 16 per cent of Mexico's needs. All this in the brief period since 1933. Only in Argentina, a rich and relatively independent country, did Nazi penetration meet resistance, and even there 1939 is auspicious for German victory.

I am fearful that in a period of depression Germany and her allies can develop a trading monopoly and drive us from the south. Latin Americans, like the Balkans, are producers of primary products; and as world prices for raw materials and foodstuffs fall off, with the inevitable contraction of American, British, and French purchases, these countries must barter with Germany, Italy, and Japan—raw materials for manufactured goods—and must become increasingly dependent upon and answerable to the totalitarians. Similarly, Latin Americans in periods of depression cannot buy

the luxury goods of the United States; they turn of necessity to the cheaper products of Germany, Italy, and Japan. In periods like that of 1929-34 our exports decline, not only in absolute values, but also in proportion to the trade of other countries with Latin America. Our sales suffer more than proportionately during depressions, and it is in these moments, moreover, that the Latin American reactionaries tremble before their internal social unrest and look toward German and Italian agents for the help which Franco received in Spain. Unless Washington takes the aggressive, the Latins are certain, if prosperity collapses, to be fashioned, like the Balkans and the Spaniards, into the framework of a vast totalitarian bloc, reduced to semi-colonial position, while Germany plays commodity merchant to half the world and slowly shapes its economic vassals into political satellites and allies.

The aggressive for Washington means the intensification of trade relations with Latin America on the assumption that their prosperity is our security. The "good neighbor" policy and the Hull system of reciprocal tariffs have not been enough. They have failed us already in Chile and Brazil, and they will fail us this year in Argentina. They fail not because they are wrong but because they have been applied too timidly. The agreement with Brazil is a perfect but a lonely example of how the "good neighbor" policy ought to be applied. As for the Hull policy, it has been the subject of much laudatory speechmaking in Lima and elsewhere, but as a policy which brings trade treaties and

lowers trade tariffs it has scarcely reached South America as yet. American opinion has not thought our trade problem through; with half the gold in the world buried at Fort Knox we continue to maintain, through high tariffs, a favorable trade balance that drains from foreign nations the money with which they might buy more American goods. The American farmer is being educated, however, and not merely by the Roosevelt administration but by such far-seeing Republicans as Colonel Frank Knox, to understand that tariffs have been a subsidy for industry against agriculture, with the result that the farmer sells cheap and buys high. He may learn that the only cure for the farm problem is lower tariffs. Cattle growers, farmers, and other vested groups must learn to see their long-range, rather than their short-view interest, and as quickly as we can educate our public we ought to move toward free trade for the united American continent. The Northern and Southern continents complement each other in the main and an all-American customs union ought to be a natural and logical development. Meanwhile we ought to send experts down to help with the development of rubber, quinine, hard woods, gutta percha, manganese, and the like. When South Americans lack the dollar exchange needed to buy from us, why should we buy quinine and rubber in the East Indies and manganese in Soviet Russia? Why, when the mass of the Argentine nation is friendly to the Yankees, should we, by an embargo on cattle, drive them into the arms of Germany? The solution lies in applying democratic

principles in trade, not so timidly that they prove inoperative but so forcefully that the totalitarian methods can make no headway in a continent which enjoys healthy and prosperous commerce.

America's final answer to the forces that threaten our civilization ought to be a united continent. Led by a virile democracy in Washington and prosperous through freer trade, the twenty-one American republics ought to be bound together in a political compact. Out of the Pan-American Union we ought to build an American League of Nations. The governments ought to meet, not once every five years, but annually; and the central council of foreign ministers ought to be subject to call whenever any one member of the compact is threatened. Only by organizing the American community can we channelize and control movements like the nationalism which is sweeping the Southern continent and threatens not merely the confiscation of American property but also the rupture, in some future crisis, of a united American front. Only by laying down rules of conduct and having an American League to judge and enforce decisions can we avoid inter-American wars and imperialistic rivalries in which some country like Argentina or Brazil would be tempted to call in European allies to win the struggle. Only by organizing our hemisphere can we make the Monroe Doctrine at some future date what our neighbors now want it to be—a multilateral document administered not by the United States but by United America.

In short, by learning from Europe's anarchy, we Americans may build a law-abiding community of nations and save ourselves from Europe's ills. This is the ultimate objective of a four-point program based on the realization that in our time, as in the time of President Monroe, the peace and happiness of our people depend upon the independence of the whole continent. It is a peace program, and unless we adopt its essential points we are likely to have war. The United States can lose in Latin America only by default. This much would seem plain after what we have seen, country by country, in visits to the southern neighbors who guard our door. It is the lesson of Peru, of Bolivia, of Chile, of Argentina, of Brazil, and of Mexico. These countries can become the economic vassals, the colonies, or the allies of Germany, Italy, and Japan. They can be turned, by the combination of subtle propaganda, economic attrition, and brute force, into American Ethiopias, Austrias, Czechoslovakias, and Spains. They can serve the new Unholy Alliance as jumping-off places for warships and aircraft. They can provide the steppingstones to the wrecking of the Panama Canal, to the division of our fleets, and to plausible attack against our continental mainland. But they can be turned against us only if our people ape the ostrich and our government plays the fool.

Date Due

O 19 '42

F 15 '48

Mr 26 '43





F1408 .W57
Americas to the South

Princeton Theological Seminary-Speer Library



1 1012 00062 4298